

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3.1)*

# **Türkiye Halk Bankası Anonim Şirketi**

**Consolidated Financial Statements  
As of and For the Year Ended 31 December 2015  
With Independent Auditors' Report Thereon**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

24 February 2016

*This report contains "Independent Auditors'  
Report" comprising 3 pages and; "Consolidated  
Financial Statements and Related Disclosures  
and Footnotes" comprising 126 pages.*

Convenience Translation of the Independent Auditors' Report  
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

To the Board of Directors of Türkiye Halk Bankası Anonim Şirketi;

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Türkiye Halk Bankası Anonim Şirketi ("the Bank") and its consolidated financial subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## Basis for Qualified Opinion

The accompanying consolidated financial information as of 31 December 2015 include a general provision amounting to TRY 123.500 thousands, all of which has been recognized as expense in the current period provided by the Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

## Qualified Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial subsidiaries as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

## **Report on Other Legal and Regulatory Requirements**

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Alper Güvenç  
Partner, SMMM

24 February 2016  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

1. The Bank's Headquarter Address:  
Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:  
Phone : 0216 503 70 70  
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:  
Website: www.halkbank.com.tr

The consolidated year end financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE GROUP
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

| <b>Subsidiaries</b> |                                       | <b>Associates</b> |   |
|---------------------|---------------------------------------|-------------------|---|
| 1.                  | Halk Yatırım Menkul Değerler AŞ       | 1.                | Demir-Halkbank NV                           |
| 2.                  | Halk Sigorta AŞ                       | 2.                | Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ |
| 3.                  | Halk Hayat ve Emeklilik AŞ            | 3.                | Türk P ve I Sigorta AŞ                      |
| 4.                  | Halk Gayrimenkul Yatırım Ortaklığı AŞ |                   |   |
| 5.                  | Halk Finansal Kiralama AŞ             |                   |   |
| 6.                  | Halk Portföy Yönetimi AŞ              |                   |   |
| 7.                  | Halk Faktoring AŞ                     |                   |   |
| 8.                  | Halk Banka AD, Skopje                 |                   |   |
| 9.                  | Halkbank AD, Beograd                  |                   |   |

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2015 are prepared in **thousand Turkish Lira** and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 24 February 2016

|   |   |  |  |   |   |
|---|---|--|--|---|---|
| R. Süleyman<br>Özgül                              | Süleyman<br>Kalkan  | Sadık Tiltak   | Ali Fuat<br>Taşkesenlioğlu   | Mustafa Aydın   | Yusuf Duran<br>Ocak   |
| <i>Chairman of the<br/>Board of<br/>Directors</i> | <i>Vice Chairman<br/>of the Board of<br/>Directors,<br/>Head of the<br/>Audit<br/>Committee</i> | <i>Member of the<br/>Board of<br/>Directors,<br/>Member of the<br/>Audit Committee</i> | <i>Member of the<br/>Board of<br/>Directors,<br/>Chief<br/>Executive<br/>Officer</i> | <i>Financial<br/>Management<br/>and Planning<br/>Vice Chief<br/>Executive<br/>Officer</i> | <i>Financial<br/>Accounting<br/>and<br/>Reporting<br/>Department<br/>Head</i> |

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Pınar Küçük/Senior Specialist  
Tel No : 0216 503 52 09  
Fax No : 0212 340 0990

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**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK**

**I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES**

Türkiye Halk Bankası Anonim Şirketi (the “Parent Bank” or “Halkbank”) was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

**II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP**

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

| <b>Shareholders</b>                           | <b>31 December 2015</b> | <b>%</b>      | <b>31 December 2014</b> | <b>%</b>      |
|---|-------------------------|---------------|-------------------------|---------------|
| Prime Ministry                                |                         |               |                         |               |
| Privatization Administration <sup>(1,2)</sup> | 638.276                 | 51,06         | 638.276                 | 51,06         |
| Public shares <sup>(2)</sup>                  | 611.640                 | 48,93         | 611.279                 | 48,90         |
| Other shareholders <sup>(3)</sup>             | 84                      | 0,01          | 445                     | 0,04          |
| <b>Total</b>                                  | <b>1.250.000</b>        | <b>100,00</b> | <b>1.250.000</b>        | <b>100,00</b> |

<sup>(1)</sup> As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul AŞ as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

<sup>(2)</sup> The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

<sup>(3)</sup> “TRY 82 of the shares which are among the “Other Shareholders” group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts) while TRY 2 of which belong to our shareholders whose shares are monitored under the DESA in the presence of MKK due to the ongoing legal action.

According to Turkish Commercial Code, 3<sup>rd</sup> Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares of the Parent Bank are controlled and represented by the Parent Bank’s Minister until the sales completion of these shares.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**SECTION I: GENERAL INFORMATION ABOUT PARENT THE BANK (continued)**

**III. EXPLANATIONS REGARDING THE PARNET BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY<sup>(1)</sup>**

| Name                    | Title  | Assignment date          | Educational background  | Experience in banking and business administration |
|-------------------------|--|--------------------------|---|---|
| R. Süleyman ÖZDİL       | Chairman of the Board of Directors                                   | 28.8.2015                | Ankara Eco. and Com. Science (ECS) Academy - Economy Finance  | 27  |
| Süleyman KALKAN         | Vice Chairman of the Board of Directors, Head of the Audit Committee | 1.4.2013                 | Ankara University, Faculty of Political Science – International Relations Department.   | 32  |
| Ali Fuat TAŞKESENİOĞLU  | Member of the Board of Directors and Chief Executive Officer         | 7.2.2014                 | Master's Degree: Beykent University Social Science Ins. Business Administration<br>Bachelor Degree: Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.  | 27  |
| Emin Siiha ÇAYKÖYLÜ     | Member of the Board of Directors                                     | 28.3.2003                | Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration.<br>Master's Degree: Syracuse University Business School (MBA).<br>Master's Degree: Manchester Uni. U.K. Technology (M.Sc).               | 32  |
| Dr. Nurzahit KESKİN     | Member of the Board of Directors                                     | 13.4.2005                | Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.<br>Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization.<br>Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. | 24  |
| Dr. Ahmet YARIZ         | Member of the Board of Directors                                     | 9.4.2008                 | Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.<br>Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis.                              | 23  |
| İsmail Erol İŞBİLEN     | Member of the Board of Directors                                     | 1.4.2013                 | Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department.  | 30  |
| Sadık TILTAK            | Member of the Board of Directors, Member of the Audit Committee      | 1.4.2014                 | Bachelor Degree: Istanbul Uni. - Business Administration.   | 27  |
| Yunus KARAN             | Member of the Board of Directors                                     | 1.4.2014                 | Bachelor Degree: Ankara University, Faculty of Political Sciences – Economy and Public Finance Department   | 47  |
| Faruk ÖZÇELİK           | Member of the Board of Auditors                                      | 29.3.2013 <sup>(2)</sup> | Ankara University, Faculty of Political Science-Finance<br>Master's Degree: Selcuk University Social Sciences Ins. - International Relations.   | 5   |
| Ali ARSLAN              | Member of the Board of Auditors                                      | 29.3.2013 <sup>(2)</sup> | Bachelor Degree: Ankara Uni. Faculty of Political Science-Business Administration.<br>Master's Degree: Cleveland State University Business School(MBA)  | 23  |
| Erol GÖNCÜ              | Executive Vice President   | 12.8.2002                | Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration   | 26  |
| Selahattin SÜLEYMANOĞLU | Executive Vice President   | 14.6.2005                | Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.   | 25  |
| Mehmet Akif AYDEMİR     | Executive Vice President   | 1.7.2007                 | METU Faculty of Arts and Sciences-Mathematics Department.<br>Master Degree: Selcuk University Social Sciences Ins.- International Relations.  | 29  |
| Mehmet Hakan ATILLA     | Executive Vice President   | 4.3.2010                 | Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.  | 20  |
| Murat UYSAL             | Executive Vice President   | 11.11.2011               | Ankara University, Faculty of Political Sciences –Economics.<br>Gazi University, Faculty of Economic and Administrative Sciences- Department of Economics.  | 17  |
| Erdal ERDEM             | Executive Vice President   | 11.11.2011               | Master's Degree: Marmara University, Banking and Insurance Ins. -Banking Department   | 20  |
| Salim KÖSE              | Executive Vice President   | 27.3.2014                | Bachelor Degree: Istanbul Uni. - Faculty of Economic and Administrative Sciences- Department of Economics   | 25  |
| Ömer Faruk ŞENEL        | Executive Vice President   | 10.07.2014               | Bachelor Degree: Afyon Kocatepe Uni. Faculty of Economic and Administrative Sciences-Finance.   | 24  |
| Murat OKTAY             | Executive Vice President   | 10.07.2014               | Istanbul University, Faculty of Law<br>Master Degree: Fatih University, Social Sciences Ins. Master of Business Administration  | 22  |
| Mehmet Sebahattin BULUT | Executive Vice President   | 10.07.2014               | METU Faculty of Economic and Administrative Sciences-Economics  | 21  |
| Hasan ÜNAL              | Executive Vice President   | 10.07.2014               | Bursa Uludağ University, Faculty of Economic and Administrative Sciences – Econometrics   | 25  |
| Mustafa AYDIN           | Executive Vice President   | 10.07.2014               | Istanbul Technical University, Faculty of Business Administration – Business Engineering  | 25  |

- (1) People mentioned above do not own any shares in the Bank's capital.  
(2) Assigned date for Audit Committee.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

**III. EXPLANATIONS REGARDING THE PARENT BANK’S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY (continued)**

- a) The professionals to the Parent Bank’s top management who have assigned to their position in 2015 are listed with titles and dates of assignment.

| <b>Name</b>       | <b>Title</b>                       | <b>Assignment Date</b> |
|-------------------|------------------------------------|------------------------|
| R. Süleyman ÖZDİL | Chairman of the Board of Directors | 28 August 2015         |

- b) The professionals from the Parent Bank’s top management who have left their position in 2015 are listed with titles and dates of leaving.

| <b>Name</b>              | <b>Title</b>                       | <b>Assignment Date</b> |
|--------------------------|------------------------------------|------------------------|
| Yakup DEMİRCİ            | Executive Vice President           | 28 February 2015       |
| Hasan CEBECİ             | Chairman of the Board of Directors | 27 August 2015         |
| Taner AKSEL              | Executive Vice President           | 30 September 2015      |
| Mürsel ERTAŞ             | Executive Vice President           | 30 September 2015      |
| İsmail Hakkı İMAMOĞLU    | Executive Vice President           | 30 September 2015      |
| Atalay TARDUŞ            | Executive Vice President           | 30 September 2015      |
| Mustafa SAVAŞ            | Executive Vice President           | 13 November 2015       |
| Doç. Dr. Şahap KAVCIOĞLU | Executive Vice President           | 13 Kasım 2015          |

As of July 4 2014, the officers who became associated to take orders from the General Management - Mr. Taner AKSEL, Mr. Mürsel Ertaş, Mr. İsmail Hakkı İmamoğlu, Mr. Atalay Tarduş and Mr. Yakup Demirci - haven’t stayed in their active duties inclusive of the time frames that lead to their departure.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)**

**IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK**

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

**V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY**

**a) General information about the Parent Bank:**

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

**b)** Law numbered 4603 regarding the “Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi”, was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks’ shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank’s whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

**c)** According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No: 4046 based on the “Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law”. The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term “ 3 years” in Article 2.2 of Law numbered 4603 was previously amended to “5 years” and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to “10 years”. As a result of this amendment, the privatization period of the Parent Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that “10 years” period by the Decree numbered 2010/964 and dated 6 November 2010.

**c.1** When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council’s decree numbered 2006/4258 and dated 29 November 2006, 13<sup>th</sup> Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)**

**V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY (continued)**

- d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Parent Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2015, the Bank operates with a total of 949 branches consisting of 944 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 36 satellite branches. The Bank has also 2 representative office in England and Iran.

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION**

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje
- Halkbank A.D. Beograd

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

is accounted by "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company's main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

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**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)**

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION (continued)**

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

Halk Faktoring AŞ ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 39.000 and 97,5% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

The Parent Bank obtained the control of Halkbank AD, Beograd by acquiring 76,76% of the shares and voting interests of the company as of 28 May 2015. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services. On the date of 24 November 2015 Bank's share has increased into %82,47 by the increase of capital.

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The company's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

Halk Hayat ve Emeklilik AŞ ("Halk Emeklilik") was established in 1998 under the business name of Birlik Hayat Sigorta A.Ş. to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. The company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was set up in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. The company became a subsidiary in early 2006 when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

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

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**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)**

**VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by-line by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje, Halk Faktoring AŞ and Halkbank A.D. Beograd are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control.

**VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES**

Immediately transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority, Turkish Financial Reporting Standards (“TFRS”), Communiqué on “Banks’ Accounting Practice and Maintaining Documents” and other communiqués and interpretations of Banking Regulation and Supervision Agency (“BRSA”) on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the consolidated financial statements are expressed in detail below.

**II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

1. The Group’s strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Group can raise funds from foreign borrowing and money market borrowing.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2. The Group’s explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches’ income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries’ income and expenses are converted by average rate of the exchange of the current year.

The Group started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank AD, Beograd, Demirhalkbank NV and Halkbank AD, Skobje are foreign investments that are recognized under fair value accounting as hedged item, in compliance with “TAS 39 Financial Instruments: Recognition and Measurement”. Accordingly, the effective portion of the foreign exchange differences is recorded under equity statement in the current period.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION**

**1. Basis of consolidation:**

The accompanying consolidated financial statements are prepared in accordance with the communiqué on “Preparation of Consolidated Financial Statements of Banks” and the Turkish Accounting Standards are applied in the consolidation.

**a. Basis of consolidation of subsidiaries:**

The Parent Bank’s subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Faktoring AŞ, Halk Banka AD, Skopje and Halkbank A.D. Beograd, are included in the scope of consolidation.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank’s investment in each subsidiary and the Group’s portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group’s net income and the Group’s shareholders’ equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries’ financial statements. There is no item that a different accounting policy is applied.

**b. Basis of consolidation of associates:**

Demir-Halkbank NV (“Demir Halk Bank”), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Qualified share is the share that directly or indirectly constitute ten percent of an entity’s capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.



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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES**

**(continued)**

**III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)**

1. Basis of consolidation (continued):

b. Basis of consolidation of associates (continued):

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AS which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The initial recognition of the business combination is accounted for provisionally if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in a business combination can only be recognized, or the cost of a business combination is measured, only using provisional amounts. The provisional business combination accounting shall be completed in the 12 months following the date of acquisition and the adjustments shall be recognized retrospectively.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES(continued)**

**III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)**

1. Basis of consolidation (continued):
- d. Principles applied during share transfer, merger and acquisition (continued):

Accounting for business combinations (continued)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquire. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisitions.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

Derivative transactions of the Group consist of foreign currency and interest rate swaps and forwards. The Group has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 “Financial Instruments: Recognition and Measurement” (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

**V. INTEREST INCOME AND EXPENSES**

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”.

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

**VI. FEES AND COMMISSION INCOME AND EXPENSES**

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

**VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm’s length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)**

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

a. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained from the shares is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

b. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Group has not any financial assets at fair value through profit and loss as of 31 December 2015 and 31 December 2014.

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)**

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than the bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and “Amortized Value” is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Parent Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions (“Communiqué”)” published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the “Interest Received from Non-performing Loans” item of the income statement.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 1% general allowance for cash loans and other receivables; 0,2% general allowances for non-cash loans. In accordance with the communiqué “The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

In the consequence of the ratio of consumer loans to total loans has been below 25% as of the second quarter, the Bank has begun to allocate 1% and 2% rate of general allowances for all consumer loans except for real estate loans instead of 4% and 8%. In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank cancelled the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué as of the second quarter.

**IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES**

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED**

Marketable securities subject to repurchase agreements are classified under “Available for Sale Financial Assets” or “Held to Maturity Investments” in the Group’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds from Repurchase Transactions” account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the “Receivables from Reverse Repo Transactions” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

**XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss. Leasehold improvements are depreciated over the lease period by straight line method.

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by an independent expert companies are reflected to the financial statements. Revaluation differences are recorded in "Tangible assets revaluation reserves" under the shareholders' equity.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.



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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT (continued)**

Estimated useful lives of property, plant and equipment are as follows:

|                                    | <b>Estimated useful<br/>lives (Year)</b> | <b>Depreciation rate</b> |
|------------------------------------|--|--------------------------|
| Buildings                          | 50                                       | 2%                       |
| Safe-deposit boxes                 | 50                                       | 2%                       |
| Other movable properties           | 3-25                                     | 4-33,33%                 |
| Assets held under financial leases | 4-5                                      | 20-25%                   |

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

Investment properties are kind of property which is held by the Group to earn rent.

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE**

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS**

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims, life-mathematical provisions and equalization provisions.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on actuarial bases.

Equalization provision is recognized in order to balance the fluctuations in the claim ratios. Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

In conformity with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. Any deficiency, if there is, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reinstated.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

Provision and contingent liabilities are accounted in conformity with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of the Group’s management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)**

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9 %. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2015 and 31 December 2014, no technical deficit has been reported.

**XX. EXPLANATIONS ON TAXATION**

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2014 as been paid in April 2015, accrued advance tax as of 31 December 2015 is going to be paid in February 2016.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

**Tax practices in the countries that foreign branches and financial institution operate:**

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in July and November, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XX. EXPLANATIONS ON TAXATION (continued)**

**Tax practices in the countries that foreign branches and financial institution operate: (continued)**

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

**Tax practices for the subsidiaries which are subject to consolidation**

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 2010. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards - Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XX. EXPLANATIONS ON TAXATION (continued)**

**Tax practices for the subsidiaries which are subject to consolidation (continued)**

*Halk Bank AD Skopje (continued)*

*Recognition of tax provisions:*

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia (“IAS 37”).

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

*Halk Bank AD Beograd,*

The Parent Bank’s acquired subsidiary in 2015 Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia.

The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for permanent differences that prescribed tax rate adjusted to the effective tax rate.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. The losses in the tax balance for 2010 and thereafter may be used for reduction of tax base for the following accounting periods, but for maximum 5 years. Such tax losses, up to the amount of assumed future taxable profit that can be offset to tax losses, are recognized in the balance sheet as deferred tax.

**XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

**XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE**

Share issuances related to costs are accounted under shareholders’ equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Parent Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul AŞ as of 10 May 2007.

As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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**SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)**

**XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE (continued)**

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

**XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES**

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

None.

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered XIII.

**XXVI. EXPLANATION ON OTHER MATTERS**

As of 1 April 2015, the bank changed the accounting policy regarding the revaluation of the land and buildings within property, plant and equipment and it stated to adopt the revaluation method in accordance with the TAS 16 "Property, Plant and Equipment". Independent expert appraisal values are presented in the financial statements. The effects of change in accounting policy on balance at the first adoption date is as follows:

|   | <b>Fixed Property</b> |
|---|-----------------------|
| Valuation focused on cost value           | 1.141.805             |
| The Effect of change in Accounting Policy | 1.503.559             |
| <b>Valuation based on fair value</b>      | <b>2.645.364</b>      |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE**

**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO**

Risk Measurements in determining of the capital adequacy ratio:

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Journal No 29111 of 6 September 2014. The consolidated basis capital adequacy ratio of the Group is 13,04% as of 31 December 2015 (31 December 2014: 12,73%).

The capital adequacy ratio calculations are made in accordance with the data which legislation of account and record regulation. These data separate in terms of “Banking” and “Purchase and Sale” and subject to calculation credit risk/market with the scope of regulation. Furthermore, operational risks also be included in the capital adequacy ratio calculation within the framework of the regulations.

"Credit Risk Mitigation Statement" may be utilized within the scope of the factors taken into account in reducing the risk to the banking account of "financial collateral simple method" while the buying and selling accounts for "financial collateral comprehensive method" is used.

The items which are deducted from shareholders' equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non-cash loans are considered by using the conversion rates which are defined in the 5th article of “Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks”. Besides, the provisions which are defined in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside” and taken place at the liability side of the balance sheet are also taken into consideration. "Statement on Credit Risk Mitigation Techniques" are weighted according to risk reduction and are subject to the following risks referred to in Annex 1 corresponding to the risk class weight class in accordance with the Regulation concerning the risks that are separated.

According to the Regulation 5, repo transactions pursuant to derivative transactions and commodity lending operations; the "Counterparty Risk" is calculated and the calculation criteria "by Fair Value Valuation Method" is used.



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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)**

1. Information on the consolidated capital adequacy ratio:

| Current Period   | The Parent Bank |     |           |            |            |            |           |            | Risk Weight |            |           |           |            |            |            |           | Consolidated |           |  |  |  |  |  |  |
|--|-----------------|-----|-----------|------------|------------|------------|-----------|------------|-------------|------------|-----------|-----------|------------|------------|------------|-----------|--------------|-----------|--|--|--|--|--|--|
|  | %0              | %10 | %20       | %50        | %75        | %100       | %150      | %200       | %250        | %0         | %10       | %20       | %50        | %75        | %100       | %150      | %200         | %250      |  |  |  |  |  |  |
| <b>Surplus credit risk weighted</b>  | -               | -   | 1.088.757 | 18.983.861 | 29.128.211 | 69.016.151 | 3.889.970 | 8.970.532  | 554.433     | -          | -         | 1.134.106 | 19.256.937 | 29.694.191 | 70.670.666 | 4.140.260 | 9.522.846    | 818.778   |  |  |  |  |  |  |
| <b>Risk classifications:</b>   |                 |     |           |            |            |            |           |            |             |            |           |           |            |            |            |           |              |           |  |  |  |  |  |  |
| Claims on sovereigns and Central Banks   | 43.299.804      | -   | 6.328     | 4.091.934  | -          | -          | -         | -          | -           | 43.540.786 | -         | 6.328     | 4.091.935  | -          | 75.709     | -         | -            | -         |  |  |  |  |  |  |
| Claims on regional governments or local authorities                                      | 16.794          | -   | 1.057.679 | -          | -          | -          | -         | -          | -           | 16.794     | -         | 1.057.679 | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on administrative bodies and other non-commercial undertakings                    | 42.762          | -   | 173       | -          | -          | 577.024    | -         | -          | -           | 42.762     | -         | 173       | -          | -          | 577.024    | -         | -            | -         |  |  |  |  |  |  |
| Claims on multilateral development banks   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on international organizations  | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on banks and intermediary institutions  | 539.128         | -   | 2.866.875 | 772.949    | -          | 286.532    | -         | -          | -           | 538.870    | -         | 3.093.619 | 775.968    | -          | 255.397    | -         | -            | -         |  |  |  |  |  |  |
| Claims on corporates   | 2.159.404       | -   | 770.092   | 747.367    | -          | 61.549.403 | -         | -          | -           | 1.133.709  | -         | 770.092   | 747.367    | -          | 64.352.706 | -         | -            | -         |  |  |  |  |  |  |
| Claims included in the regulatory retail portfolios                                      | 1.544.741       | -   | 170.864   | -          | 38.386.989 | 690.594    | -         | -          | -           | 1.544.741  | -         | 170.864   | -          | 39.135.617 | 698.247    | -         | -            | -         |  |  |  |  |  |  |
| Claims secured by residential property   | 23.520          | -   | 4.085     | 32.220.995 | 26.735     | -          | -         | -          | -           | 23.520     | -         | 4.085     | 32.764.126 | 26.735     | -          | -         | -            | -         |  |  |  |  |  |  |
| Overdue loans  | 13.655          | -   | -         | 134.477    | -          | 782.758    | -         | -          | -           | 13.655     | -         | -         | 134.477    | -          | 853.724    | -         | -            | -         |  |  |  |  |  |  |
| Higher risk categories decided by the Board  | -               | -   | -         | -          | -          | -          | 2.593.313 | 4.485.266  | 773         | -          | -         | -         | -          | -          | -          | 2.760.173 | 4.761.423    | 20.097    |  |  |  |  |  |  |
| Secured by mortgages   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Securitization positions   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Undertakings for collective investments in mutual funds                                  | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Other receivables  | 3.455.119       | -   | 567.690   | -          | 423.891    | 5.129.840  | -         | -          | -           | 221.000    | 3.531.205 | -         | 567.690    | -          | 429.903    | 3.857.859 | -            | 307.414   |  |  |  |  |  |  |
|  |                 |     |           |            |            |            |           |            |             |            |           |           |            |            |            |           |              |           |  |  |  |  |  |  |
| Prior Period   | The Parent Bank |     |           |            |            |            |           |            | Risk Weight |            |           |           |            |            |            |           | Consolidated |           |  |  |  |  |  |  |
|  | %0              | %10 | %20       | %50        | %75        | %100       | %150      | %200       | %250        | %0         | %10       | %20       | %50        | %75        | %100       | %150      | %200         | %250      |  |  |  |  |  |  |
| <b>Surplus credit risk weighted</b>  | -               | -   | 810.058   | 14.076.567 | 22.962.208 | 54.730.042 | 3.613.293 | 16.572.334 | 912.638     | -          | -         | 867.323   | 14.168.725 | 23.355.181 | 55.241.523 | 3.677.288 | 16.902.844   | 1.461.988 |  |  |  |  |  |  |
| <b>Risk classifications:</b>   |                 |     |           |            |            |            |           |            |             |            |           |           |            |            |            |           |              |           |  |  |  |  |  |  |
| Claims on sovereigns and Central Banks   | 40.918.786      | -   | 2.856     | 3.385.027  | -          | -          | -         | -          | -           | 41.013.434 | -         | 2.856     | 3.385.027  | -          | 30.087     | -         | -            | -         |  |  |  |  |  |  |
| Claims on regional governments or local authorities                                      | 18.263          | -   | 554.619   | -          | -          | -          | -         | -          | -           | 18.263     | -         | 554.619   | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on administrative bodies and other non-commercial undertakings                    | 28.273          | -   | 199       | -          | -          | 527.130    | -         | -          | -           | 28.273     | -         | 199       | -          | -          | 527.130    | -         | -            | -         |  |  |  |  |  |  |
| Claims on multilateral development banks   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on international organizations  | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Claims on banks and intermediary institutions  | 2.427.237       | -   | 2.575.808 | 1.787.700  | -          | 47.249     | -         | -          | -           | 1.768.551  | -         | 2.862.136 | 1.800.219  | -          | 6.245      | -         | -            | -         |  |  |  |  |  |  |
| Claims on corporates   | 768.725         | -   | 242.822   | -          | -          | 48.277.479 | -         | -          | -           | 752.016    | -         | 242.822   | -          | -          | 50.494.579 | -         | -            | -         |  |  |  |  |  |  |
| Claims included in the regulatory retail portfolios                                      | 1.497.528       | -   | 159.191   | -          | 30.426.898 | 656.661    | -         | -          | -           | 1.497.528  | -         | 159.191   | -          | 30.931.251 | 662.627    | -         | -            | -         |  |  |  |  |  |  |
| Claims secured by residential property   | 23.228          | -   | 3.302     | 22.857.026 | 66.067     | -          | -         | -          | -           | 23.228     | -         | 3.302     | 23.028.822 | 66.067     | -          | -         | -            | -         |  |  |  |  |  |  |
| Overdue loans  | -               | -   | -         | 123.381    | -          | 1.162.077  | -         | -          | -           | -          | -         | -         | 123.381    | -          | 1.268.139  | -         | -            | -         |  |  |  |  |  |  |
| Higher risk categories decided by the Board  | -               | -   | -         | -          | -          | -          | 2.408.862 | 8.286.167  | 40.553      | -          | -         | -         | -          | -          | -          | 2.451.525 | 8.451.422    | 55.529    |  |  |  |  |  |  |
| Secured by mortgages   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Securitization positions   | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Undertakings for collective investments in mutual funds                                  | -               | -   | -         | -          | -          | -          | -         | -          | -           | -          | -         | -         | -          | -          | -          | -         | -            | -         |  |  |  |  |  |  |
| Other receivables  | 3.242.822       | -   | 511.492   | -          | 123.312    | 4.059.446  | -         | -          | 324.502     | 3.274.721  | -         | 511.492   | -          | 142.923    | 2.252.716  | -         | -            | 529.266   |  |  |  |  |  |  |

<sup>(1)</sup> As of 31 December 2015, overdue finance lease receivables amounting to TRY 193.653 is included in the 100% risk weighted of overdue loans above. (31 December 2014: TRY 106.062)

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)**

2. Consolidated Capital adequacy ratio summary:

|   | The Parent Bank |              | Consolidated   |              |
|---|-----------------|--------------|----------------|--------------|
|   | Current Period  | Prior Period | Current Period | Prior Period |
| A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I) | 10.530.553      | 9.094.171    | 10.819.023     | 9.253.990    |
| B Capital to be employed for market risk (II)                                     | 408.439         | 257.412      | 552.682        | 265.729      |
| C Capital to be employed for operational risk (III)                               | 878.258         | 810.323      | 963.285        | 875.751      |
| Shareholders' equity  | 20.428.844      | 17.301.950   | 20.099.511     | 16.539.425   |
| <b>Shareholders' equity / ( I+II+III ) * 12,5*100</b>                             | <b>13,83</b>    | <b>13,62</b> | <b>13,04</b>   | <b>12,73</b> |
| <b>Core Capital/((CRCR+MRCR+OROR)*12,5)*100</b>                                   | <b>13,14</b>    | <b>12,92</b> | <b>12,36</b>   | <b>12,04</b> |
| <b>Tier I Capital/((CRCR+MRCR+OROR)*12,5)*100</b>                                 | <b>13,17</b>    | <b>12,96</b> | <b>12,40</b>   | <b>12,09</b> |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)**

3. Information on equity items:

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                   |                   |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 2.470.451         | 2.470.451         |
| Share Premium   | 39.488            | 39.009            |
| Share Cancellation Profits  | -                 | -                 |
| Legal Reserves  | 12.600.202        | 10.520.206        |
| Other Comprehensive Income according to TAS   | 1.368.344         | 194.785           |
| Profit  | 2.482.790         | 2.410.166         |
| <i>Net Current Period Profit</i>  | 2.317.984         | 2.270.398         |
| <i>Prior Period Profit</i>  | 164.806           | 139.768           |
| Provisions for Possible Losses  | 123.500           | -                 |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's   |                   |                   |
| Profit Minority shares  | 3.973             | 4.031             |
| Minority shares   | 143.418           | 152.123           |
| <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | <b>19.232.166</b> | <b>15.790.771</b> |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |                   |                   |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to   |                   |                   |
| TAS (-)   | -                 | -                 |
| Leasehold improvements on operational leases (-)  | 70.995            | 67.649            |
| Goodwill and intangible assets and related deferred tax liabilities (-)   | 40.926            | 16.521            |
| Net deferred tax assets / liabilities (-)   | -                 | -                 |
| Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  | -                 | -                 |
| Investments in own common equity (-)  | -                 | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | -                 | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)         | -                 | -                 |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                 | -                 |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)   | -                 | -                 |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                 | -                 |
| The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)                       | -                 | -                 |
| Mortgage servicing rights (amount above 10% threshold) (-)  | -                 | -                 |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)   | -                 | -                 |
| Other items to be defined by the regulator (-)  | -                 | -                 |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)   | -                 | -                 |
| <b>Total regulatory adjustments to Common equity Tier 1</b>   | <b>111.921</b>    | <b>84.170</b>     |
| <b>Common Equity Tier 1 capital</b>   | <b>19.120.245</b> | <b>15.706.601</b> |
| <b>ADDITIONAL TIER 1 CAPITAL</b>  |                   |                   |
| Privileged stocks which are not included in common equity and share premiums  | -                 | -                 |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus  |                   |                   |
| (Issued or Obtained after 1.1.2014)   | -                 | -                 |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus  |                   |                   |
| (Issued or Obtained before 1.1.2014)  | -                 | -                 |
| Additional shares in the capital of third parties   | -                 | -                 |
| <b>Additional Tier 1 capital before regulatory adjustments</b>  | -                 | -                 |
| <b>Additional Tier 1 capital: regulatory adjustments</b>  |                   |                   |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  | -                 | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | -                 | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)                        | -                 | -                 |
| Other items to be Defined by the regulator (-)  | -                 | -                 |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)  | -                 | -                 |

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**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)**

3. Information on equity items: (continued)

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Total regulatory adjustments to Additional Tier 1 capital</b>   | -                 | -                 |
| <b>Additional Tier 1 capital</b>   | -                 | -                 |
| <b>Regulatory adjustments to Common Equity</b>   | <b>61.388</b>     | <b>66.080</b>     |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | 61.388            | 66.080            |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                 | -                 |
| <b>Tier 1 capital</b>  | <b>19.058.857</b> | <b>15.640.521</b> |
| <b>TIER 2 CAPITAL</b>  |                   |                   |
| Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained after 01.01.2014)   | -                 | -                 |
| Directly issued qualifying Tier 2 instruments (that are approved by the regulatory) plus related stock surplus (Issued or Obtained before 01.01.2014)  | -                 | -                 |
| Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders  | -                 | -                 |
| Generic Provisions   | 1.139.290         | 1.277.829         |
| <b>Additional shares in the capital of third parties</b>   | -                 | -                 |
| <b>Tier 2 capital before regulatory adjustments</b>  | <b>1.139.290</b>  | <b>1.277.829</b>  |
| <b>Tier 2 capital: regulatory adjustments</b>  |                   |                   |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)   | -                 | -                 |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  | -                 | -                 |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)   | -                 | -                 |
| Other items to be Defined by the regulator (-)   | -                 | -                 |
| <b>Total regulatory adjustments to Tier 2 capital</b>  | -                 | -                 |
| <b>Tier 2 capital</b>  | <b>1.139.290</b>  | <b>1.277.829</b>  |
| <b>CAPITAL</b>   | <b>20.198.147</b> | <b>16.918.350</b> |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)  | 10                | 10                |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)  | 69.325            | 49.245            |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)  | -                 | -                 |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)   | -                 | -                 |
| Other items to be Defined by the regulator (-)   | 29.301            | 329.670           |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | -                 | -                 |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)                       | -                 | -                 |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)                       | -                 | -                 |
| <b>EQUITY</b>  | <b>20.099.511</b> | <b>16.539.425</b> |
| Amounts below the thresholds for deduction   |                   |                   |
| Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital  | 15.635            | 15.113            |
| Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital  | 1.418.085         | 1.257.801         |
| Remaining mortgage servicing rights  | -                 | -                 |
| Net deferred tax assets arising from temporary differences   | 213.687           | 349.610           |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO (continued)**

3. Information on equity items: (continued)

a) Information on the provisional application elements in the calculation of equity:

|   | The Parent Bank                         |       | Consolidated                            |         |
|---|---|-------|---|---------|
|   | Amount recognized in regulatory capital | Total | Amount recognized in regulatory capital | Total   |
| Minority Interest in Tier I Capital   | -                                       | -     | 143.418                                 | 201.426 |
| Shares of Third Parties in Additional Core Capital  | -                                       | -     | -                                       | -       |
| Shares of Third Parties in Tier II Capital  | -                                       | -     | -                                       | -       |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2015) | -                                       | -     | -                                       | -       |

The Group has no debt instruments that will be included in the calculation of equity.

4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank's internal capital requirements assessment process, for the date of 11 July 2014 and No: 29057 Official Newspaper's publication of Banks' Internal Systems and Internal Capital Adequacy Assessment Process is carried out under the regulations of rights.

The ultimate goal of the mentioned process is; to ensure the maintenance of capital adequacy via the bank's growth strategy; the formation of the current and future period anticipated asset-liability structure, future funding sources and liquidity, dividend policy and the economic cycle depending on capital taking into account the fluctuations that may occur in the risk profile of the Parent Bank; and in accordance with the risk appetite, to ensure the maintenance of capital adequacy.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK**

Credit risk refers to the risks and damage caused by failure to fulfill the obligations of the other party in the contracts of the Group. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, in charge of general manager of the credit, general manager, credit committee and board of directors and also they can be replaced when necessary situation in terms of the scope of the legislation.

In accordance with the Group's risk management policies, the limits are specified in respect of main and sub-sectors. That limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Parent Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the Parent Bank's Credit Committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2015, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 21,37% and 26,70% of its total cash loans.

As of 31 December 2015, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 50,12 % and 60,73% of its total non-cash loans.

As of 31 December 2015, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 18,27% and 23,47% of its total balance sheet and off-balance sheet assets.

As of 31 December 2015, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.139.290 (31 December 2014: TRY 1.277.829).

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

|  | Current Period             |                     | Prior Period               |                     |
|--|----------------------------|---------------------|----------------------------|---------------------|
|  | Risk Amount <sup>(*)</sup> | Average Risk Amount | Risk Amount <sup>(*)</sup> | Average Risk Amount |
| <b>Risk Classifications:</b>   |                            |                     |                            |                     |
| Claims on sovereigns and Central Banks   | 47.714.758                 | 44.994.513          | 44.431.404                 | 43.998.647          |
| Claims on regional governments or local authorities                                      | 1.074.473                  | 844.635             | 572.882                    | 214.352             |
| Claims on administrative bodies and other non-commercial undertakings                    | 619.959                    | 555.877             | 555.602                    | 389.362             |
| Claims on multilateral development banks   | -                          | -                   | -                          | -                   |
| Claims on international organizations  | -                          | -                   | -                          | -                   |
| Claims on banks and intermediary institutions  | 4.663.854                  | 5.257.788           | 6.437.151                  | 5.013.469           |
| Claims on corporates   | 67.003.874                 | 61.631.983          | 51.489.417                 | 45.879.970          |
| Claims included in the regulatory retail portfolios                                      | 41.549.469                 | 39.969.666          | 33.250.597                 | 29.865.862          |
| Claims secured by residential property   | 32.818.466                 | 28.248.340          | 23.121.419                 | 21.861.288          |
| Overdue loans <sup>(**)</sup>  | 1.001.856                  | 1.125.496           | 1.391.520                  | 918.747             |
| Higher risk categories decided by the Board  | 7.541.693                  | 7.945.993           | 10.958.476                 | 10.247.589          |
| Secured by mortgages   | -                          | -                   | -                          | -                   |
| Securitization positions   | -                          | -                   | -                          | -                   |
| Short-term claims and short-term corporate claims on banks and intermediary institutions | -                          | -                   | -                          | -                   |
| Undertakings for collective investments in mutual funds                                  | -                          | -                   | -                          | -                   |
| Other receivables  | 8.694.071                  | 7.724.019           | 6.711.118                  | 6.040.868           |

<sup>(\*)</sup> Includes the risk amounts after credit conversions.

<sup>(\*\*)</sup> As of 31 December 2015, overdue finance lease receivables amounting to TRY 193.653 is included overdue loans above. (31 December 2014: TRY 106.062)

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

Risk profile according to the geographical concentration:

|   | Risk Classifications <sup>(*)</sup>   |   |  |   |   |  |   |                            |  |                   | Total              |
|---|---|---|--|---|---|--|---|----------------------------|--|-------------------|--------------------|
|   | Contingent and Non-Contingent Receivables from Central Governments or Central Banks | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | Contingent and Non-Contingent Receivables from Banks and Intermediaries | Contingent and Non-Contingent Corporate Receivables | Contingent and Non-Contingent Retail Receivables | Contingent and Non-Contingent Receivables Secured by Residential Property | Non-Performing Receivables | Receivables are identified as high risk by the Board | Other Receivables |                    |
| <b>Current Period</b>   |   |   |  |   |   |  |   |                            |  |                   |                    |
| 1. Domestic   | 47.714.749  | 1.074.473   | 619.959  | 2.613.515   | 64.009.318  | 41.456.405                                       | 32.654.414  | 1.001.702                  | 7.541.693  | 8.688.952         | 207.375.180        |
| 2. EU Countries <sup>(**)</sup>                               | -   | -   | -  | 601.156   | 248.554   | 89.806   | 162.573   | 154                        | -  | 5.119             | 1.107.362          |
| 3. OECD Countries   | -   | -   | -  | 1.207.789   | 2.204   | 1.738  | 171   | -                          | -  | -                 | 1.211.902          |
| 4. Off-shore banking regions                                  | -   | -   | -  | 29  | -   | -  | -   | -                          | -  | -                 | 29                 |
| 5. USA, Canada  | -   | -   | -  | 65.356  | 678.889   | 174  | 129   | -                          | -  | -                 | 744.548            |
| 6. Other Countries  | 9   | -   | -  | 31.710  | 857.580   | 1.346  | 1.179   | -                          | -  | -                 | 891.824            |
| 7. Investment and associates, subsidiaries and joint ventures | -   | -   | -  | 144.299   | 1.207.329   | -  | -   | -                          | -  | -                 | 1.351.628          |
| 8. Undistributed Assets/Liabilities <sup>(***)</sup>          | -   | -   | -  | -   | -   | -  | -   | -                          | -  | -                 | -                  |
| <b>9. Total</b>   | <b>47.714.758</b>   | <b>1.074.473</b>  | <b>619.959</b>   | <b>4.663.854</b>  | <b>67.003.874</b>                                   | <b>41.549.469</b>                                | <b>32.818.466</b>   | <b>1.001.856</b>           | <b>7.541.693</b>                                     | <b>8.694.071</b>  | <b>212.682.473</b> |

|   | Risk Classifications <sup>(*)</sup>   |   |  |   |   |  |   |                            |  |                   | Total              |
|---|---|---|--|---|---|--|---|----------------------------|--|-------------------|--------------------|
|   | Contingent and Non-Contingent Receivables from Central Governments or Central Banks | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | Contingent and Non-Contingent Receivables from Banks and Intermediaries | Contingent and Non-Contingent Corporate Receivables | Contingent and Non-Contingent Retail Receivables | Contingent and Non-Contingent Receivables Secured by Residential Property | Non-Performing Receivables | Receivables are identified as high risk by the Board | Other Receivables |                    |
| <b>Prior Period</b>   |   |   |  |   |   |  |   |                            |  |                   |                    |
| 1. Domestic   | 44.363.234  | 572.882   | 555.602  | 5.812.033   | 50.322.982  | 33.243.217                                       | 23.121.419  | 1.391.520                  | 10.735.582   | 6.711.118         | 176.829.589        |
| 2. EU Countries <sup>(**)</sup>                               | -   | -   | -  | 136.731   | 111.315   | -  | -   | -                          | -  | -                 | 248.046            |
| 3. OECD Countries   | -   | -   | -  | 4.518   | -   | 690  | -   | -                          | -  | -                 | 5.208              |
| 4. Off-shore banking regions                                  | -   | -   | -  | -   | -   | -  | -   | -                          | -  | -                 | -                  |
| 5. USA, Canada  | -   | -   | -  | 299.801   | 980.471   | 980  | -   | -                          | -  | -                 | 1.281.252          |
| 6. Other Countries  | 68.170  | -   | -  | 142.685   | 74.649  | 5.710  | -   | -                          | 222.894  | -                 | 514.108            |
| 7. Investment and associates, subsidiaries and joint ventures | -   | -   | -  | 41.383  | -   | -  | -   | -                          | -  | -                 | 41.383             |
| 8. Undistributed Assets/Liabilities <sup>(***)</sup>          | -   | -   | -  | -   | -   | -  | -   | -                          | -  | -                 | -                  |
| <b>9. Total</b>   | <b>44.431.404</b>   | <b>572.882</b>  | <b>555.602</b>   | <b>6.437.151</b>  | <b>51.489.417</b>                                   | <b>33.250.597</b>                                | <b>23.121.419</b>   | <b>1.391.520</b>           | <b>10.958.476</b>                                    | <b>6.711.118</b>  | <b>178.919.586</b> |

<sup>(\*)</sup>Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

<sup>(\*\*)</sup>OECD Countries other than the EU Countries, USA and Canada.

<sup>(\*\*\*)</sup>Assets and liabilities that are not consistently allocated.



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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

Risk Profile according to sectors:

| Current Period                              | Risk Classifications <sup>(1)</sup>   |   |  |   |   |  |   |                            |  |                   |                    |                   |                    |
|---|---|---|--|---|---|--|---|----------------------------|--|-------------------|--------------------|-------------------|--------------------|
|   | Contingent and Non-Contingent Receivables from Central Governments or Central Banks | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | Contingent and Non-Contingent Receivables from Banks and Intermediaries | Contingent and Non-Contingent Corporate Receivables | Contingent and Non-Contingent Retail Receivables | Contingent and Non-Contingent Receivables Secured by Residential Property | Non-Performing Receivables | Receivables are identified as high risk by the Board | Other Receivables | TRY                | FC                | Total              |
| Agricultural                                | 11  | 34  | 110  | -   | 183.244   | 458.044  | 65.650  | 13.861                     | -  | 120.920           | 720.893            | 120.981           | 841.874            |
| <i>Farming and raising livestock</i>        | 11  | 34  | 42   | -   | 138.553   | 432.362  | 60.313  | 13.710                     | -  | 120.850           | 683.404            | 82.471            | 765.875            |
| <i>Forestry</i>                             | -   | -   | 5  | -   | 1.924   | 3.015  | 234   | 8                          | -  | 70                | 4.866              | 390               | 5.256              |
| <i>Fishing</i>                              | -   | -   | 63   | -   | 42.767  | 22.667   | 5.103   | 143                        | -  | -                 | 32.623             | 38.120            | 70.743             |
| Manufacturing                               | 42  | 104   | 70.863   | -   | 28.792.868  | 7.028.230  | 8.551.061   | 604.864                    | -  | 86.607            | 20.837.078         | 24.297.561        | 45.134.639         |
| <i>Mining</i>                               | -   | -   | 12.459   | -   | 349.744   | 118.541  | 75.698  | 15.794                     | -  | -                 | 324.689            | 247.547           | 572.236            |
| <i>Production</i>                           | 42  | 104   | 49.596   | -   | 22.859.313  | 6.881.495  | 7.711.504   | 589.013                    | -  | 86.607            | 19.166.436         | 19.011.238        | 38.177.674         |
| <i>Electric, gas and water</i>              | -   | -   | 8.808  | -   | 5.583.811   | 28.194   | 763.859   | 57                         | -  | -                 | 1.345.953          | 5.038.776         | 6.384.729          |
| Construction                                | 12  | 15  | 128  | -   | 6.428.257   | 1.213.875  | 1.046.485   | 96.503                     | -  | 148.426           | 4.789.597          | 4.144.104         | 8.933.701          |
| Services                                    | 45.587.842  | 21.296  | 442.470  | 4.587.267   | 21.697.614  | 18.903.454                                       | 9.170.233   | 257.021                    | -  | 309.951           | 62.334.240         | 38.642.908        | 100.977.148        |
| <i>Wholesale and retail trade</i>           | 20  | 50  | 326.643  | -   | 8.800.741   | 11.990.854                                       | 4.959.898   | 141.152                    | -  | 31.381            | 21.981.960         | 4.268.779         | 26.250.739         |
| <i>Hotel, food and beverage services</i>    | -   | 319   | 1.368  | -   | 2.836.684   | 505.691  | 2.064.090   | 26.054                     | -  | 84                | 1.199.818          | 4.234.472         | 5.434.290          |
| <i>Transportation and telecommunication</i> | -   | 6   | 28.480   | -   | 4.373.219   | 5.267.251  | 467.478   | 7.277                      | -  | 25.304            | 5.778.201          | 4.390.814         | 10.169.015         |
| <i>Financial institutions</i>               | 45.444.261  | 2.677   | 7.926  | 4.587.267   | 2.792.349   | 79.762   | 269.738   | 848                        | -  | 222.216           | 31.071.088         | 22.335.956        | 53.407.044         |
| <i>Real estate and renting services</i>     | 114.199   | 2.214   | -  | -   | 1.795.960   | 236.064  | 926.827   | 72.465                     | -  | 23.671            | 617.017            | 2.554.383         | 3.171.400          |
| <i>Self-employment services</i>             | 3   | 5   | 16   | -   | 198   | 628.418  | 101.426   | 1.511                      | -  | 6.019             | 734.103            | 3.493             | 737.596            |
| <i>Education services</i>                   | 323   | 5   | 48.733   | -   | 471.084   | 82.347   | 110.380   | 381                        | -  | 1.172             | 390.848            | 323.577           | 714.425            |
| <i>Health and social services</i>           | 29.036  | 16.020  | 29.304   | -   | 627.379   | 113.067  | 270.396   | 7.333                      | -  | 104               | 561.205            | 531.434           | 1.092.639          |
| Other                                       | 2.126.851   | 1.053.024   | 106.388  | 76.587  | 9.901.891   | 13.945.866                                       | 13.985.037  | 29.607                     | 7.541.693  | 8.028.167         | 47.580.986         | 9.214.125         | 56.795.111         |
| <b>Total</b>                                | <b>47.714.758</b>   | <b>1.074.473</b>  | <b>619.959</b>   | <b>4.663.854</b>  | <b>67.003.874</b>                                   | <b>41.549.469</b>                                | <b>32.818.466</b>   | <b>1.001.856</b>           | <b>7.541.693</b>                                     | <b>8.694.071</b>  | <b>136.262.794</b> | <b>76.419.679</b> | <b>212.682.473</b> |

<sup>(1)</sup>Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

| Prior Period                                | Risk Classifications <sup>(*)</sup>   |   |  |   |   |  |   |                            |  |                   | TRY                | FC                | Total              |
|---|---|---|--|---|---|--|---|----------------------------|--|-------------------|--------------------|-------------------|--------------------|
|   | Contingent and Non-Contingent Receivables from Central Governments or Central Banks | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | Contingent and Non-Contingent Receivables from Banks and Intermediaries | Contingent and Non-Contingent Corporate Receivables | Contingent and Non-Contingent Retail Receivables | Contingent and Non-Contingent Receivables Secured by Residential Property | Non-Performing Receivables | Receivables are identified as high risk by the Board | Other Receivables |                    |                   |                    |
| Agricultural                                | -   | -   | 156  | -   | 106.493   | 412.826  | 114.382   | 16.681                     | -  | 87.497            | 671.042            | 66.993            | <b>738.035</b>     |
| <i>Farming and raising livestock</i>        | -   | -   | 13   | -   | 63.497  | 388.955  | 103.827   | 16.536                     | -  | 87.422            | 617.555            | 42.695            | <b>660.250</b>     |
| <i>Forestry</i>                             | -   | -   | -  | -   | -   | 3.564  | 898   | 12                         | -  | 75                | 4.544              | 5                 | <b>4.549</b>       |
| <i>Fishing</i>                              | -   | -   | 143  | -   | 42.996  | 20.307   | 9.657   | 133                        | -  | -                 | 48.943             | 24.293            | <b>73.236</b>      |
| Manufacturing                               | -   | 80  | 131.918  | -   | 22.975.662  | 7.201.538  | 8.798.816   | 917.009                    | -  | 128.353           | 22.047.898         | 18.105.478        | <b>40.153.376</b>  |
| <i>Mining</i>                               | -   | 80  | 100.634  | -   | 359.330   | 106.248  | 121.872   | 69.755                     | -  | -                 | 479.030            | 278.889           | <b>757.919</b>     |
| <i>Production</i>                           | -   | -   | 31.284   | -   | 18.864.582  | 7.073.188  | 8.438.849   | 846.909                    | -  | 128.353           | 20.864.904         | 14.518.261        | <b>35.383.165</b>  |
| <i>Electric, gas and water</i>              | -   | -   | -  | -   | 3.751.750   | 22.102   | 238.095   | 345                        | -  | -                 | 703.964            | 3.308.328         | <b>4.012.292</b>   |
| Construction                                | -   | 54  | 9  | -   | 5.330.879   | 905.433  | 1.679.688   | 60.999                     | -  | 224.407           | 6.032.294          | 2.169.175         | <b>8.201.469</b>   |
| Services                                    | 42.464.943  | 220.383   | 215.390  | 6.437.151   | 19.366.534  | 21.136.558                                       | 12.166.959  | 281.641                    | -  | 306.391           | 72.179.129         | 30.416.821        | <b>102.595.950</b> |
| <i>Wholesale and retail trade</i>           | -   | 22  | 80.255   | -   | 7.419.367   | 11.922.503                                       | 5.861.549   | 134.824                    | -  | 8.799             | 21.906.378         | 3.520.941         | <b>25.427.319</b>  |
| <i>Hotel, food and beverage services</i>    | -   | 10  | 21   | -   | 1.187.273   | 491.135  | 2.122.338   | 31.399                     | -  | 87                | 2.672.288          | 1.159.975         | <b>3.832.263</b>   |
| <i>Transportation and telecommunication</i> | -   | -   | 31.859   | -   | 2.231.664   | 5.255.532  | 555.226   | 9.087                      | -  | 646               | 6.023.275          | 2.060.739         | <b>8.084.014</b>   |
| <i>Financial institutions</i>               | 42.431.864  | 5.246   | 5.509  | 6.437.151   | 1.199.958   | 28.468   | 375.960   | 354                        | -  | 130.888           | 31.749.925         | 18.865.473        | <b>50.615.398</b>  |
| <i>Real estate and renting services</i>     | 11.198  | 213.000   | 28.971   | -   | 6.468.205   | 2.562.616  | 2.617.276   | 99.110                     | -  | 160.552           | 7.903.692          | 4.257.236         | <b>12.160.928</b>  |
| <i>Self-employment services</i>             | -   | -   | -  | -   | 262   | 679.573  | 118.245   | 1.580                      | -  | 5.344             | 792.471            | 12.533            | <b>805.004</b>     |
| <i>Education services</i>                   | 1.513   | 82  | 38.661   | -   | 266.209   | 69.307   | 163.752   | 1.115                      | -  | 2                 | 387.315            | 153.326           | <b>540.641</b>     |
| <i>Health and social services</i>           | 20.368  | 2.023   | 30.114   | -   | 593.596   | 127.424  | 352.613   | 4.172                      | -  | 73                | 743.785            | 386.598           | <b>1.130.383</b>   |
| Other                                       | 1.966.461   | 352.365   | 208.129  | -   | 3.709.849   | 3.594.242  | 361.574   | 115.190                    | 10.958.476   | 5.964.470         | 26.454.520         | 776.236           | <b>27.230.756</b>  |
| <b>Total</b>                                | <b>44.431.404</b>   | <b>572.882</b>  | <b>555.602</b>   | <b>6.437.151</b>  | <b>51.489.417</b>                                   | <b>33.250.597</b>                                | <b>23.121.419</b>   | <b>1.391.520</b>           | <b>10.958.476</b>                                    | <b>6.711.118</b>  | <b>127.384.883</b> | <b>51.534.703</b> | <b>178.919.586</b> |

<sup>(\*)</sup>Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

Distribution of maturity risk factors according to their outstanding maturities:

| Current Period<br>Risk Classifications                                  | According to outstanding maturities |                  |                   |                   |                    |
|---|-------------------------------------|------------------|-------------------|-------------------|--------------------|
|   | 1 month                             | 1-3 month        | 3-6 month         | 6-12 month        | 1 year and over    |
| 1.Claims on sovereigns and Central Banks                                | 29.040.134                          | 208.857          | 998.529           | 163.063           | 17.304.175         |
| 2.Claims on regional governments or local authorities                   | 9.108                               | 1.024            | 7.734             | 13.746            | 1.042.861          |
| 3.Claims on administrative bodies and other non-commercial undertakings | 139.275                             | 39.343           | 333.415           | 29.651            | 78.275             |
| 4.Claims on banks and intermediary institutions                         | 4.403.115                           | 82.004           | 45.020            | 13.095            | 120.620            |
| 5.Claims on corporate   | 9.304.990                           | 4.054.928        | 7.119.983         | 12.177.351        | 46.017.535         |
| 6.Claims included in the regulatory retail portfolios                   | 3.902.928                           | 2.081.313        | 3.923.020         | 8.587.008         | 51.744.446         |
| 7. Overdue loans <sup>(*)</sup>   | 858.370                             | 100.934          | 256               | 4.217             | 38.079             |
| 8. Other receivables  | 393.762                             | 76.478           | 15.447            | 69.654            | 8.138.730          |
| <b>Total</b>  | <b>48.051.682</b>                   | <b>6.644.881</b> | <b>12.443.404</b> | <b>21.057.785</b> | <b>124.484.721</b> |

<sup>(\*)</sup> As of 31 December 2015, overdue finance lease receivables amounting to TRY 193.653 is included in the overdue loans above.

<sup>(\*\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

<sup>(\*\*\*)</sup> Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

| Prior Period<br>Risk Classifications                                    | According to outstanding maturities |                   |                   |                   |                   |
|---|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|   | 1 month                             | 1-3 month         | 3-6 month         | 6-12 month        | 1 year and over   |
| 1.Claims on sovereigns and Central Banks                                | 11.032.224                          | 9.003.802         | 3.912.359         | 4.224.958         | 16.253.826        |
| 2.Claims on regional governments or local authorities                   | 8.235                               | 567               | 3.781             | 9.656             | 550.643           |
| 3.Claims on administrative bodies and other non-commercial undertakings | 146.526                             | 141.688           | 123.348           | 86.120            | 57.978            |
| 4.Claims on banks and intermediary institutions                         | 4.262.155                           | 337.784           | 157.454           | 398.184           | 1.008.534         |
| 5.Claims on corporate   | 10.864.559                          | 4.085.860         | 5.065.776         | 8.729.577         | 29.500.885        |
| 6.Claims included in the regulatory retail portfolios                   | 1.439.860                           | 1.973.099         | 3.921.144         | 8.297.880         | 41.390.960        |
| 7. Overdue loans <sup>(**)</sup>  | 1.391.520                           | -                 | -                 | -                 | -                 |
| 8. Other receivables  | 4.988.481                           | 195.627           | 485.034           | 419.300           | 622.676           |
| <b>Total</b>  | <b>34.133.560</b>                   | <b>15.738.427</b> | <b>13.668.896</b> | <b>22.165.675</b> | <b>89.385.502</b> |

<sup>(\*)</sup> Commitments amounting TRY 3.827.526 are not included in the table above.

<sup>(\*\*)</sup> As of 31 December 2014, overdue finance lease receivables amounting to TRY 106.062 is included in the overdue loans above.

<sup>(\*\*\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

<sup>(\*\*\*\*)</sup> Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

| Mapping Table                        | Credit Quality Grade | Fitch Ratings  |
|--------------------------------------|----------------------|----------------|
| <b>Long term Credit Assessments</b>  | 1                    | AAA and AA-    |
|                                      | 2                    | A+ and A-      |
|                                      | 3                    | BBB+ and BBB-  |
|                                      | 4                    | BB+ and BB-    |
|                                      | 5                    | B+ and B-      |
|                                      | 6                    | CCC+ and below |
| <b>Short term Credit Assessments</b> | 1                    | F1+ and F1     |
|                                      | 2                    | F2             |
|                                      | 3                    | F3             |
|                                      | 4                    | F3 and below   |
|                                      | 5                    | ---            |
|                                      | 6                    | ---            |

**Current Period**

| Risk Weights                            | 0%         | 10% | 20%       | 50%        | 75%        | 100%       | 150%      | 200%      | 250%    | Reductions from the shareholders' equity |
|---|------------|-----|-----------|------------|------------|------------|-----------|-----------|---------|--|
| 1. Pre-Amount of Credit Risk Mitigation | 47.071.350 | -   | 5.142.671 | 18.433.212 | 51.028.837 | 83.157.296 | 2.760.173 | 4.761.423 | 327.511 | 271.945                                  |
| 2. Amount after Credit Risk Mitigation  | 50.386.042 | -   | 5.670.530 | 38.513.873 | 39.592.255 | 70.670.666 | 2.760.173 | 4.761.423 | 327.511 | 271.945                                  |

**Prior Period**

| Risk Weights                            | 0%         | 10% | 20%       | 50%        | 75%        | 100%       | 150%      | 200%      | 250%    | Reductions from the shareholders' equity |
|---|------------|-----|-----------|------------|------------|------------|-----------|-----------|---------|--|
| 1. Pre-Amount of Credit Risk Mitigation | 44.644.889 | -   | 3.838.171 | 16.784.212 | 40.083.739 | 62.080.833 | 2.451.525 | 8.451.422 | 584.795 | 529.175                                  |
| 2. Amount after Credit Risk Mitigation  | 48.376.014 | -   | 4.336.617 | 28.337.449 | 31.140.241 | 55.241.523 | 2.451.525 | 8.451.422 | 584.795 | 529.175                                  |

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**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

Risk balances according to risk weights:

Information according to sectors and counterparties:

| Current Period                              | Loans                               |                        |                   |                  |
|---|-------------------------------------|------------------------|-------------------|------------------|
|   | Non-performing loans <sup>(1)</sup> | Overdue <sup>(2)</sup> | Value Adjustments | Provisions       |
| <b>Sectors / Counterparties</b>             |                                     |                        |                   |                  |
| <b>Agricultural</b>                         | <b>82.674</b>                       | <b>29.001</b>          | <b>803</b>        | <b>69.072</b>    |
| <i>Farming and raising livestock</i>        | 75.043                              | 26.658                 | 733               | 61.592           |
| <i>Forestry</i>                             | 482                                 | 60                     | 1                 | 474              |
| <i>Fishing</i>                              | 7.149                               | 2.283                  | 69                | 7.006            |
| <b>Manufacturing</b>                        | <b>1.968.771</b>                    | <b>1.012.086</b>       | <b>35.221</b>     | <b>1.363.198</b> |
| <i>Mining</i>                               | 132.563                             | 17.825                 | 892               | 116.770          |
| <i>Production</i>                           | 1.833.302                           | 678.404                | 24.340            | 1.244.890        |
| <i>Electric, gas and water</i>              | 2.906                               | 315.857                | 9.989             | 1.538            |
| <b>Construction</b>                         | <b>354.552</b>                      | <b>407.911</b>         | <b>12.054</b>     | <b>255.290</b>   |
| <b>Services</b>                             | <b>1.054.435</b>                    | <b>1.183.229</b>       | <b>47.963</b>     | <b>825.700</b>   |
| <i>Wholesale and retail trade</i>           | 717.866                             | 868.212                | 34.304            | 575.296          |
| <i>Hotel, food and beverage services</i>    | 112.807                             | 68.391                 | 2.034             | 87.096           |
| <i>Transportation and telecommunication</i> | 46.794                              | 89.761                 | 2.504             | 36.405           |
| <i>Financial institutions</i>               | 11.258                              | 2.736                  | 118               | 10.939           |
| <i>Real estate and renting services</i>     | 123.143                             | 50.849                 | 5.119             | 88.494           |
| <i>Self-employment services</i>             | 21.166                              | 50.761                 | 1.458             | 14.001           |
| <i>Education services</i>                   | 2.862                               | 3.805                  | 119               | 2.481            |
| <i>Health and social services</i>           | 18.539                              | 48.714                 | 2.307             | 10.988           |
| <b>Other</b>                                | <b>729.104</b>                      | <b>711.386</b>         | <b>17.171</b>     | <b>659.457</b>   |
| <b>Total</b>                                | <b>4.189.536</b>                    | <b>3.343.613</b>       | <b>113.212</b>    | <b>3.172.717</b> |

<sup>(1)</sup> Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

<sup>(2)</sup> Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

| Previous Period                             | Loans                               |                        |                   |                  |
|---|-------------------------------------|------------------------|-------------------|------------------|
|   | Non-performing loans <sup>(1)</sup> | Overdue <sup>(2)</sup> | Value Adjustments | Provisions       |
| <b>Sectors / Counterparties</b>             |                                     |                        |                   |                  |
| <b>Agricultural</b>                         | <b>85.785</b>                       | <b>8.279</b>           | <b>560</b>        | <b>69.203</b>    |
| <i>Farming and raising livestock</i>        | 78.103                              | 7.431                  | 522               | 61.664           |
| <i>Forestry</i>                             | 487                                 | 95                     | 2                 | 476              |
| <i>Fishing</i>                              | 7.195                               | 753                    | 36                | 7.063            |
| <b>Manufacturing</b>                        | <b>1.814.175</b>                    | <b>171.501</b>         | <b>12.441</b>     | <b>910.316</b>   |
| <i>Mining</i>                               | 132.615                             | 4.025                  | 93                | 62.855           |
| <i>Production</i>                           | 1.680.279                           | 167.340                | 11.938            | 846.525          |
| <i>Electric, gas and water</i>              | 1.281                               | 136                    | 410               | 936              |
| <b>Construction</b>                         | <b>251.084</b>                      | <b>132.172</b>         | <b>6.967</b>      | <b>186.694</b>   |
| <b>Services</b>                             | <b>963.206</b>                      | <b>299.603</b>         | <b>12.817</b>     | <b>702.894</b>   |
| <i>Wholesale and retail trade</i>           | 590.476                             | 202.201                | 7.998             | 459.559          |
| <i>Hotel, food and beverage services</i>    | 114.689                             | 19.900                 | 514               | 97.583           |
| <i>Transportation and telecommunication</i> | 39.297                              | 36.768                 | 936               | 29.821           |
| <i>Financial institutions</i>               | 7.713                               | 922                    | 20                | 7.363            |
| <i>Real estate and renting services</i>     | 187.138                             | 13.396                 | 607               | 92.797           |
| <i>Self-employment services</i>             | 5.934                               | 5.422                  | 326               | 3.334            |
| <i>Education services</i>                   | 3.358                               | 11.911                 | 404               | 2.245            |
| <i>Health and social services</i>           | 14.601                              | 9.083                  | 2.012             | 10.192           |
| <b>Other</b>                                | <b>604.796</b>                      | <b>282.522</b>         | <b>15.895</b>     | <b>564.301</b>   |
| <b>Total</b>                                | <b>3.719.046</b>                    | <b>894.077</b>         | <b>48.680</b>     | <b>2.433.408</b> |

<sup>(1)</sup> Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

<sup>(2)</sup> Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

Information about value adjustments and changes in the loan impairment:

|                        | The opening balance | Provision amounts set aside during the period | The cancellation of the provisions | Other adjustments | Close out balance |
|------------------------|---------------------|---|------------------------------------|-------------------|-------------------|
| <b>Current Period</b>  |                     |   |                                    |                   |                   |
| 1. Specific Provisions | 2.433.408           | 864.690                                       | 125.334                            | (47)              | 3.172.717         |
| 2. General Provisions  | 1.277.829           | 291.794                                       | 430.333                            | -                 | 1.139.290         |

|                        | The opening balance | Provision amounts set aside during the period | The cancellation of the provisions | Other adjustments | Close out balance |
|------------------------|---------------------|---|------------------------------------|-------------------|-------------------|
| <b>Prior Period</b>    |                     |   |                                    |                   |                   |
| 1. Specific Provisions | 1.827.528           | 879.361                                       | 273.481                            | -                 | 2.433.408         |
| 2. General Provisions  | 1.142.413           | 135.445                                       | 29                                 | -                 | 1.277.829         |

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

| <b>Gross Maximum Exposure</b>   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey | 23.500.539            | 19.331.801          |
| Due from banks  | 2.617.651             | 1.458.532           |
| Money Market Receivables  | 53.874                | 302.107             |
| Financial Assets at Fair Value through profit or loss   | 336.189               | 218.646             |
| Financial Assets Available for Sale   | 11.418.210            | 9.168.734           |
| Held to maturity Investments  | 16.904.877            | 17.869.082          |
| Loans   | 127.219.551           | 101.831.153         |
| Finance Lease Receivables (Net)   | 2.204.752             | 1.902.536           |
| Factoring Receivables   | 486.885               | 361.345             |
| <b>Total</b>  | <b>184.742.528</b>    | <b>152.443.936</b>  |
| Contingent Liabilities  | 40.037.226            | 32.865.941          |
| Commitments   | 22.041.303            | 19.899.363          |
| <b>Total</b>  | <b>62.078.529</b>     | <b>52.765.304</b>   |
| <b>Total Credit Risk Exposure</b>   | <b>246.821.057</b>    | <b>205.209.240</b>  |

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

| Corporate and Commercial Loans | Internal/External Valuation Grade | Total              | Entrepreneur Firms        | Internal/External Valuation Grade | Total             |
|--------------------------------|-----------------------------------|--------------------|---------------------------|-----------------------------------|-------------------|
| Risk rating group 1            | AAA                               | 145.630            | <b>High</b>               |                                   |                   |
| Risk rating group 2            | AA                                | 5.444.182          | Risk rating group 1       | 1                                 | 2.413.697         |
| Risk rating group 3            | A                                 | 12.093.621         | Risk rating group 2       | 2                                 | 2.721.949         |
| Risk rating group 4            | BBB                               | 13.832.579         | <b>Standard</b>           |                                   |                   |
| Risk rating group 5            | BB                                | 19.745.720         | Risk rating group 3       | 3                                 | 2.403.499         |
| Risk rating group 6            | B                                 | 20.837.666         | Risk rating group 4       | 4                                 | 3.217.861         |
| Risk rating group 7            | CCC                               | 11.184.294         | Risk rating group 5       | 5                                 | 5.111.963         |
| Risk rating group 8            | CC                                | 1.095.319          | <b>Below the standard</b> |                                   |                   |
| Risk rating group 9            | C                                 | 17.281.502         | Risk rating group 6       | 6                                 | 7.749.367         |
|                                |                                   |                    | Risk rating group 7       | 7                                 | 6.865.732         |
| <b>Total</b>                   |                                   | <b>101.660.513</b> | <b>Total</b>              |                                   | <b>30.484.068</b> |

(1) Prepared in accordance with the internal grading results of the Parent Bank

(2) Includes the total of cash and non cash loans.

| Risk Grade (1-4) | Risk Group | Definition of risk group  | Risk Grade (%) |
|------------------|------------|---|----------------|
| 1,00 - 1,40      | AAA        | The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.  | 100 -86        |
| 1,41 - 1,80      | AA         | The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.   | 85 -73         |
| 1,81 - 2,00      | A          | The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.  | 72 - 67        |
| 2,01 - 2,20      | BBB        | The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.   | 66 - 60        |
| 2,21 - 2,40      | BB         | The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but it's a credible firm in the short run.   | 59 - 53        |
| 2,41 - 2,60      | B          | Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.                                     | 52 - 47        |
| 2,61 - 2,80      | CCC        | The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture. | 46 - 40        |
| 2,81 - 3,20      | CC         | The firm force acceptable risk limits when it's financial and non financial criteria considered together, and have poor credibility.  | 39 - 27        |
| 3,21 - 3,60      | C          | The firm has no credibility when its financial and non financial criteria considered together   | 26 - 13        |
| 3,61 - 4,00      | D          | The firm has no credibility under any condition.  | 12 - 0         |

Entrepreneur Loans Decision Module ("GKKM") is the rating module which is used for assessment of loan applications of companies which are classified by the Parent Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

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

|                                  | Current Period | Prior Period   |
|----------------------------------|----------------|----------------|
| <b>Loans</b> <sup>(1), (2)</sup> |                |                |
| Corporate Loans                  | 73.375         | 80.479         |
| SME Loans                        | 12.054         | 17.989         |
| Consumer Loans                   | 13.824         | 12.265         |
| Other                            | -              | 64             |
| <b>Total</b>                     | <b>99.253</b>  | <b>110.797</b> |

(1) Accruals are not included to the table above.

(2) Presents loans accounted under in restructured or rescheduled loan accounts.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)**

The net value and type of collaterals of the loans amounting TRY 3.460.287 followed under loans and other receivables under close monitoring section is below: (31 December 2014 : TRY 1.588.045).

| <b>Collateral Types</b>  | <b>Net Value of Collateral Current Period</b> | <b>Net Value of Collateral Prior Period</b> |
|--|---|---|
| Real estate mortgage   | 1.643.306                                     | 959.346                                     |
| Salary pledge, vehicle pledge and pledge of commercial undertaking | 115.919                                       | 80.652                                      |
| Financial collaterals (cash, securities pledge, etc.)              | 566   | 387   |
| Cheque /bills  | 61.345  | 24.246                                      |
| Suretyship   | 1.307.826                                     | 353.289                                     |
| Other  | 331.325                                       | 170.125                                     |
| <b>Total</b>   | <b>3.460.287</b>                              | <b>1.588.045</b>                            |

(1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2) Income accruals amounting to TRY 44.463 (31 December 2014: TRY 20.166) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 4.189.536 followed under non performing loans section is below: (31 December 2014: TRY 3.719.046)

| <b>Collateral Types</b> | <b>Net Value of Collateral Current Period<sup>(1)</sup></b> | <b>Net Value of Collateral Prior Period</b> |
|-------------------------|---|---|
| Cash                    | 1.291   | 448   |
| Mortgage                | 947.098   | 839.526                                     |
| Pledge                  | 206.789   | 181.137                                     |
| Cheque,bills            | 43.175  | 4.955                                       |
| Suretyship              | 2.178.702   | 1.967.625                                   |
| Other <sup>(2)</sup>    | 812.481   | 725.355                                     |
| <b>Total</b>            | <b>4.189.536</b>  | <b>3.719.046</b>                            |

(1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2) Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.



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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK**

In accordance with the Group's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 of 6 September 2014 by.

The Parent Bank's Board of Directors set the risk limits by taking into account the Group's main risk factors and these limits are periodically revised in accordance with the market conditions and the Group's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Group. The VAR based limits that are determined by the Board of Directors and the denominated interest rate risk of the Group's is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Group's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to consolidated market risk:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| (I) Capital requirement to be employed for general market risk   | 297.857               | 193.635             |
| (II) Capital requirement to be employed for specific risk  | 75.855                | 39.666              |
| (III) Capital requirement to be employed for specific risk in securitization positions-Standard Method | -                     | -                   |
| (IV)Capital requirement to be employed for currency risk   | 159.123               | 20.215              |
| (V)Capital requirement to be employed for commodity risk   | -                     | -                   |
| (VI)Capital requirement to be employed for clearing risk   | -                     | -                   |
| (VII)Total capital requirement to be employed for counterparty credit risk-Standard method             | 542                   | 576                 |
| (VIII)Capital requirement to be employed for general market risk.                                      | 19.305                | 11.637              |
| <b>(IX) Total capital requirement to be employed for market risk</b>                                   | <b>-</b>              | <b>-</b>            |
| <b>(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)</b>                                   | <b>552.682</b>        | <b>265.729</b>      |
| <b>(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)</b>   | <b>6.908.525</b>      | <b>3.321.613</b>    |

b) The Group's average market risk calculated as of the end of months in the related period:

|                                     | <b>Current Period</b> |                |                | <b>Prior Period</b> |                |                |
|-------------------------------------|-----------------------|----------------|----------------|---------------------|----------------|----------------|
|                                     | <b>Average</b>        | <b>Maximum</b> | <b>Minimum</b> | <b>Average</b>      | <b>Maximum</b> | <b>Minimum</b> |
| Interest Rate Risk                  | 303.179               | 353.127        | 228.555        | 235.930             | 252.536        | 215.272        |
| Share Risk                          | 11.557                | 47.312         | 4.790          | 3.945               | 7.602          | 648            |
| Currency Risk                       | 46.166                | 159.123        | 17.177         | 39.161              | 107.288        | 20.215         |
| Commodity Risk                      | -                     | -              | -              | -                   | -              | -              |
| Settlement Risk                     | -                     | -              | -              | -                   | -              | -              |
| Options Risk                        | 837                   | 1.926          | 497            | 1.056               | 2.538          | 350            |
| Counterparty Credit Risk            | 16.848                | 20.256         | 11.646         | 7.075               | 11.637         | 4.566          |
| <b>Amount Subject to Total Risk</b> | <b>378.587</b>        | <b>581.744</b> | <b>262.665</b> | <b>287.167</b>      | <b>381.601</b> | <b>241.051</b> |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK**

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Group uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Group calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating.

Possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

|                                  | <b>Amount<sup>(1)</sup></b> |
|----------------------------------|-----------------------------|
| Contracts based on Interest rate | 4.080.180                   |
| Contracts based on currency      | 8.451.789                   |
| Contracts based on commodity     | -                           |
| Contracts based on stocks        | -                           |
| Other                            | -                           |
| Gross Positive Fair Value        | 3.861.905                   |
| Benefits of clarification        | -                           |
| Clarified current risk amount    | -                           |
| The securities which are held    | -                           |
| The net position of derivatives  | 151.195                     |

<sup>(1)</sup> Counterparty risk related to the trading accounts is included.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK**

In the calculation of the Group’s operational risk, the “Basic Indicator Method” is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on “Measurement and Assessment of the Capital Adequacy of Banks” published in the Official Gazette numbered 29111 on 6 September 2014. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group’s average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 12.041.060 for the current period. (31 December 2014: TRY 10.946.889)

|  | <b>2 PP</b>  | <b>1 PP</b>  | <b>CD</b>    | <b>Total / Total<br/>number of years<br/>for which gross<br/>income is positive</b> | <b>Rate<br/>(%)</b> | <b>Total</b>      |
|--|--------------|--------------|--------------|---|---------------------|-------------------|
|  | <b>Value</b> | <b>Value</b> | <b>Value</b> |   |                     |                   |
| Gross Income   | 6.260.887    | 6.469.646    | 6.535.163    | 6.421.899   | 15                  | <b>963.285</b>    |
| <b>Amount subject to<br/>operational risk (Total*12,5)</b> |              |              |              |   |                     | <b>12.041.060</b> |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with “Regulation On Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at 31 December 2015 and the previous five working days in full TRY are as follows:

|      | 24.12.2015 | 25.12.2015 | 28.12.2015 | 29.12.2015 | 30.12.2015 | 31.12.2015 |
|------|------------|------------|------------|------------|------------|------------|
| USD  | 2,9000000  | 2,8900000  | 2,8800000  | 2,8800000  | 2,8900000  | 2,9000000  |
| CHF  | 2,9308000  | 2,9229000  | 2,9093000  | 2,8996000  | 2,9144000  | 2,9033000  |
| GBP  | 4,3205000  | 4,3092000  | 4,2853000  | 4,2541000  | 4,2813000  | 4,2902000  |
| JPY  | 0,0240592  | 0,0239823  | 0,0238953  | 0,0238854  | 0,0239385  | 0,0240572  |
| EURO | 3,1720000  | 3,1628000  | 3,1605000  | 3,1451000  | 3,1530000  | 3,1551000  |

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

|      | Monthly average |
|------|-----------------|
| USD  | 2,8926087       |
| CHF  | 2,9054043       |
| GBP  | 4,3286565       |
| JPY  | 0,0237570       |
| EURO | 3,1495304       |

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**V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK**  
**(continued)**

Information related to the consolidated currency risk:

| <b>Current Period</b>  | <b>EURO</b>        | <b>USD</b>         | <b>OTER FC</b>   | <b>TOTAL</b>      |
|--|--------------------|--------------------|------------------|-------------------|
| <b>Assets</b>  |                    |                    |                  |                   |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 2.849.880          | 13.409.708         | 2.901.532        | 19.161.120        |
| Banks  | 2.078.425          | 288.936            | 173.190          | 2.540.551         |
| Financial assets at fair value through profit and loss <sup>(3)</sup>  | 89.043             | 166.466            | 817              | 256.326           |
| Money market placements  | -                  | -                  | 33.101           | 33.101            |
| Financial assets available-for-sale  | 957.133            | 2.975.675          | 124.197          | 4.057.005         |
| Loans <sup>(2)</sup>   | 17.220.659         | 23.732.797         | 910.834          | 41.864.290        |
| Subsidiaries, associates and entities under common control   | 242.037            | -                  | -                | 242.037           |
| Held-to-maturity investments   | 10.728             | 1.931.468          | 171.633          | 2.113.829         |
| Derivative financial assets held for risk management   | -                  | -                  | -                | -                 |
| Tangible assets  | -                  | -                  | 57.746           | 57.746            |
| Intangible assets  | -                  | -                  | -                | -                 |
| Other assets <sup>(3)</sup>  | 1.113.900          | 965.936            | 48.478           | 2.128.314         |
| <b>Total assets</b>  | <b>24.561.805</b>  | <b>43.470.986</b>  | <b>4.421.528</b> | <b>72.454.319</b> |
| <b>Liabilities</b>   |                    |                    |                  |                   |
| Bank deposits  | 2.609.967          | 3.464.758          | 1.094.569        | 7.169.294         |
| Foreign currency deposits  | 14.828.856         | 19.738.567         | 1.959.326        | 36.526.749        |
| Money market balances  | -                  | 728.499            | -                | 728.499           |
| Funds provided from other financial institutions   | 7.801.692          | 12.984.388         | 43.138           | 20.829.218        |
| Bonds issued   | -                  | 7.339.847          | -                | 7.339.847         |
| Sundry creditors   | 53.741             | 145.829            | 2.636            | 202.206           |
| Derivative financial liabilities held for risk management  | -                  | -                  | -                | -                 |
| Other liabilities <sup>(3)</sup>   | 260.937            | 247.613            | 131.138          | 639.688           |
| <b>Total liabilities</b>   | <b>25.555.193</b>  | <b>44.649.501</b>  | <b>3.230.807</b> | <b>73.435.501</b> |
| <b>Net balance sheet position</b>  | <b>(993.388)</b>   | <b>(1.178.515)</b> | <b>1.190.721</b> | <b>(981.182)</b>  |
| <b>Net off-balance sheet position</b>  |                    |                    |                  |                   |
| Financial derivative assets <sup>(4)</sup>   | 2.200.997          | 4.318.311          | 1.300.229        | 7.819.537         |
| Financial derivative liabilities <sup>(4)</sup>  | 978.442            | 3.117.172          | 2.237.326        | 6.332.940         |
| Non-cash loans <sup>(1)</sup>  | 6.417.859          | 16.013.743         | 950.945          | 23.382.547        |
| <b>Prior period</b>  |                    |                    |                  |                   |
| Total assets   | 15.608.806         | 33.502.132         | 3.503.692        | 52.614.630        |
| Total liabilities  | 24.138.532         | 25.397.415         | 2.826.586        | 52.362.533        |
| <b>Net balance sheet position</b>  | <b>(8.529.726)</b> | <b>8.104.717</b>   | <b>677.106</b>   | <b>252.097</b>    |
| <b>Net off-balance sheet position</b>  |                    |                    |                  |                   |
| Financial derivative assets  | 9.614.242          | 2.857.612          | 682.364          | 13.154.218        |
| Financial derivative liabilities   | 724.885            | 10.738.530         | 1.219.039        | 12.682.454        |
| Non-cash loans <sup>(1)</sup>  | 4.426.846          | 12.734.159         | 639.589          | 17.800.594        |

<sup>(1)</sup> Non-cash loans are not included in the off-balance sheet position items.

<sup>(2)</sup> Includes TRY 1.534.159 of foreign currency indexed loans and their accruals. (31 December 2014: 1.047.457 TL)

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 30.776), foreign currency intangible assets (TRY 17.776), prepaid expenses (TRY 287) in assets; and derivative financial instruments foreign currency expense accruals (TRY 26.998) and shareholders' equity (TRY 74.269) and foreign currency minority shares (TRY 25.649) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Receivables from derivative financial instruments include precious metal purchase transactions which amount to TRY 15.278; and derivative transaction liabilities from financial instruments include precious metal sale transactions which amount to TRY 1.734.898.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK (continued)**

Foreign currency sensitivity:

The Group is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Group's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents the Parent Bank's management of assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

|       | Change in currency rate in<br>% | Effect on profit /loss before taxation |               |
|-------|---------------------------------|--|---------------|
|       |                                 | Current period                         | Prior period  |
|       |                                 | USD                                    | % 10 increase |
| EURO  | % 10 increase                   | 22.917                                 | 35.963        |
| Other | % 10 increase                   | 25.362                                 | 14.043        |

The Group's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

**VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK**

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Group. The Group's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Parent Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency.

The Bank assesses the probability of any significant losses which can be caused by interest rate risk exposure as low.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)**

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates:

| Current period   | Up to 1 month      | 1-3 months          | 3-12 Months       | 1-5 years         | 5 years and over  | Non-interest bearing | Total              |
|--|--------------------|---------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
| <b>Assets</b>  |                    |                     |                   |                   |                   |                      |                    |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 16.755.948         | -                   | -                 | -                 | -                 | 6.744.591            | 23.500.539         |
| Banks and financial institutions   | 798.714            | 51.765              | -                 | -                 | -                 | 1.767.172            | 2.617.651          |
| Financial assets at fair value through profit and loss   | 247.364            | 25.553              | 33.349            | 269               | 5.144             | 27.828               | 339.507            |
| Money market placements  | 33.101             | 20.773              | -                 | -                 | -                 | -                    | 53.874             |
| Financial assets available-for-sale  | 2.359.097          | 529.117             | 1.645.419         | 2.436.137         | 4.448.231         | 117.142              | 11.535.143         |
| Loans  | 44.877.032         | 17.838.272          | 33.895.040        | 23.210.103        | 4.329.749         | 2.052.536            | 126.202.732        |
| Held-to-maturity investments   | 7.732.528          | 761.017             | 1.352.000         | 2.154.709         | 4.904.623         | -                    | 16.904.877         |
| Other assets <sup>(1)(2)</sup>   | 1.016.183          | 221.785             | 593.799           | 1.488.452         | 163.986           | 6.362.962            | 9.847.167          |
| <b>Total assets</b>  | <b>73.819.967</b>  | <b>19.448.282</b>   | <b>37.519.607</b> | <b>29.289.670</b> | <b>13.851.733</b> | <b>17.072.231</b>    | <b>191.001.490</b> |
| <b>Liabilities</b>   |                    |                     |                   |                   |                   |                      |                    |
| Bank deposits  | 8.427.245          | 2.409.694           | 525.038           | -                 | -                 | 3.328.873            | 14.690.850         |
| Other deposits   | 56.054.414         | 27.198.528          | 6.642.534         | 478.726           | 22.424            | 17.416.908           | 107.813.534        |
| Money market balances  | 7.823.894          | 632.063             | -                 | -                 | -                 | -                    | 8.455.957          |
| Sundry creditors   | 986.732            | 33.100              | 1.001.111         | 118.869           | -                 | 258.932              | 2.398.744          |
| Bonds issued   | 47.656             | 707.800             | 858.861           | 5.781.652         | 1.444.591         | -                    | 8.840.560          |
| Funds provided from other financial institutions <sup>(4)</sup>  | 1.219.171          | 4.536.538           | 11.529.545        | 4.612.874         | 245.262           | 347                  | 22.143.737         |
| Other liabilities <sup>(3)</sup>   | 2.215.332          | 189.464             | 860.918           | 4.745             | -                 | 23.387.649           | 26.658.108         |
| <b>Total liabilities</b>   | <b>76.774.444</b>  | <b>35.707.187</b>   | <b>21.418.007</b> | <b>10.996.866</b> | <b>1.712.277</b>  | <b>44.392.709</b>    | <b>191.001.490</b> |
| Balance sheet long position  | -                  | -                   | 16.101.600        | 18.292.804        | 12.139.456        | -                    | 46.533.860         |
| Balance sheet short position   | (2.954.477)        | (16.258.905)        | -                 | -                 | -                 | (27.320.478)         | (46.533.860)       |
| Off-balance sheet long position  | -                  | 764.369             | 612.369           | 1.332.390         | 1.346.914         | -                    | 4.056.042          |
| Off-balance sheet short position   | -                  | (619.754)           | (627.927)         | (1.565.778)       | (1.319.421)       | -                    | (4.132.880)        |
| <b>Total position</b>  | <b>(2.954.477)</b> | <b>(16.114.290)</b> | <b>16.086.042</b> | <b>18.059.416</b> | <b>12.166.949</b> | <b>(27.320.478)</b>  | <b>(76.838)</b>    |

<sup>(1)</sup> TRY 49.703 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 72.567 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

<sup>(2)</sup> TRY 1.016.819 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

<sup>(3)</sup> Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)**

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

| Prior period   | Up to 1 month       | 1-3 months         | 3-12 months       | 1-5 years         | 5 years and over  | Non-interest bearing | Total              |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|----------------------|--------------------|
| <b>Assets</b>  |                     |                    |                   |                   |                   |                      |                    |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 3.444.506           | -                  | -                 | -                 | -                 | 16.887.430           | 20.331.936         |
| Banks and financial institutions   | 991.784             | 83.812             | 14.542            | -                 | -                 | 368.394              | 1.458.532          |
| Financial assets at fair value through profit and loss   | 38.601              | 16.701             | 25.256            | 23.732            | 16                | 121.674              | 225.980            |
| Money market placements  | 4.443               | 297.664            | -                 | -                 | -                 | -                    | 302.107            |
| Financial assets available-for-sale  | 2.071.065           | 674.342            | 1.728.516         | 1.613.663         | 3.081.148         | 27.113               | 9.195.847          |
| Loans  | 35.277.234          | 14.636.538         | 21.655.481        | 22.640.849        | 3.401.042         | 2.934.371            | 100.545.515        |
| Held-to-maturity investments   | 8.456.256           | 517.854            | 2.167.358         | 2.216.886         | 4.510.728         | -                    | 17.869.082         |
| Other assets <sup>(1),(2)</sup>  | 95.155              | 221.542            | 723.584           | 1.395.715         | 146.015           | 4.843.251            | 7.425.262          |
| <b>Total assets</b>  | <b>50.379.044</b>   | <b>16.448.453</b>  | <b>26.314.737</b> | <b>27.890.845</b> | <b>11.138.949</b> | <b>25.182.233</b>    | <b>157.354.261</b> |
| <b>Liabilities</b>   |                     |                    |                   |                   |                   |                      |                    |
| Bank deposits  | 9.289.406           | 2.277.003          | 201.468           | -                 | -                 | 5.414.668            | 17.182.545         |
| Other deposits   | 43.066.190          | 18.922.779         | 7.932.795         | 325.437           | 672               | 16.223.732           | 86.471.605         |
| Money market balances  | 8.181.354           | 584.583            | -                 | -                 | -                 | -                    | 8.765.937          |
| Sundry creditors   | 924.232             | 39.744             | 979.976           | 25.219            | -                 | 120.361              | 2.089.532          |
| Bonds issued   | 68.912              | 491.227            | 950.550           | 2.865.352         | 1.715.353         | -                    | 6.091.394          |
| Funds provided from other financial institutions <sup>(4)</sup>  | 1.294.679           | 4.868.097          | 5.336.585         | 2.339.739         | 334.591           | 8.083                | 14.181.774         |
| Other liabilities <sup>(3)</sup>   | 1.925.178           | 175.644            | 1.382.168         | 8.304             | -                 | 19.080.180           | 22.571.474         |
| <b>Total liabilities</b>   | <b>64.749.951</b>   | <b>27.359.077</b>  | <b>16.783.542</b> | <b>5.564.051</b>  | <b>2.050.616</b>  | <b>40.847.024</b>    | <b>157.354.261</b> |
| Balance sheet long position  | -                   | -                  | 9.531.195         | 22.326.794        | 9.088.333         | -                    | 40.946.322         |
| Balance sheet short position   | (14.370.907)        | (10.910.624)       | -                 | -                 | -                 | (15.664.791)         | (40.946.322)       |
| Off-balance sheet long position  | 115.011             | 840.031            | 33.634            | 426.575           | -                 | -                    | 1.415.251          |
| Off-balance sheet short position   | 1.456               | 561.724            | 29.256            | 426.167           | -                 | -                    | 1.018.603          |
| <b>Total position</b>  | <b>(14.254.440)</b> | <b>(9.508.869)</b> | <b>9.594.085</b>  | <b>23.179.536</b> | <b>9.088.333</b>  | <b>(15.664.791)</b>  | <b>2.433.854</b>   |

<sup>(1)</sup> TRY 309.467 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 4.474 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

<sup>(2)</sup> TRY 1.285.638 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

<sup>(3)</sup> Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.



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**VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)**

2. Average interest rates applied to financial instruments:

| <b>Current period</b>  | <b>EURO</b> | <b>USD</b> | <b>JPY</b> | <b>TRY</b> |
|--|-------------|------------|------------|------------|
| <b>Assets</b>  |             |            |            |            |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey <sup>(5)</sup> | -           | 0,22       | -          | 2,07       |
| Due from other banks and financial institutions <sup>(1)</sup>   | 0,15        | 0,20       | -          | 11,80      |
| Financial assets at fair value through profit and loss   | -           | 2,03       | -          | 10,44      |
| Money market placements  | -           | -          | -          | -          |
| Available-for-sale financial assets  | 5,26        | 5,49       | -          | 12,26      |
| Loans <sup>(2)</sup>   | 4,26        | 5,13       | -          | 12,47      |
| Held-to-maturity investments   | -           | 5,91       | -          | 15,15      |
| <b>Liabilities</b>   |             |            |            |            |
| Bank deposits  | 0,61        | 2,28       | -          | 13,27      |
| Other deposits <sup>(4)</sup>  | 1,49        | 2,00       | 0,25       | 10,92      |
| Money market borrowings  | -           | 1,44       | -          | 8,76       |
| Sundry creditors <sup>(3)</sup>  | -           | -          | -          | 4,75       |
| Bonds issued   | -           | 4,53       | -          | 10,72      |
| Funds provided from other financial institutions <sup>(4)</sup>  | 0,86        | 1,82       | -          | 7,24       |
| <b>Prior Period</b>  |             |            |            |            |
| <b>Assets</b>  |             |            |            |            |
| Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey                | 0,50        | -          | -          | 3,50       |
| Due from other banks and financial institutions  | 0,71        | 0,16       | -          | 10,07      |
| Financial assets at fair value through profit and loss   | -           | 1,71       | -          | 8,68       |
| Money market placements  | -           | -          | -          | -          |
| Available-for-sale financial assets  | 5,29        | 5,63       | -          | 9,03       |
| Loans  | 4,55        | 4,78       | -          | 11,64      |
| Held-to-maturity investments   | -           | 5,80       | -          | 8,86       |
| <b>Liabilities</b>   |             |            |            |            |
| Bank deposits  | 0,40        | 0,80       | -          | 9,59       |
| Other deposits   | 1,87        | 2,13       | 0,25       | 9,03       |
| Money market borrowings  | -           | 0,95       | -          | 9,18       |
| Sundry creditors   | -           | -          | -          | 3,56       |
| Bonds issued   | -           | 4,47       | -          | 8,84       |
| Funds provided from other financial institutions   | 0,50        | 1,57       | -          | 7,33       |

<sup>(1)</sup> Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

<sup>(2)</sup> Interest rates are calculated using weighted average method for loans given as of balance sheet date.

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2015.

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2015.

<sup>(5)</sup> Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK (continued)**

3. The interest rate risk of the banking book items:

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and repricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

The impact on financial statements regarding interest rate instabilities stated below as divided by the Parent Bank's different currencies.

| <b>Current Period</b>              |                 |   |                      |  |
|------------------------------------|-----------------|---|----------------------|--|
|                                    | <b>Currency</b> | <b>Applied Shock<br/>(+/- x basis points)</b> | <b>Gains/ Losses</b> | <b>Gains/Shareholders' Equity –<br/>Losses/ Shareholders' Equity</b> |
| 1                                  | TRY             | 500   | (2.222.523)          | (10,88%)   |
|                                    |                 | (200)   | 2.256.145            | 11,04%   |
| 2                                  | EURO            | 400   | 288.034              | 1,41%  |
|                                    |                 | (200)   | (313.850)            | (1,54%)  |
| 3                                  | USD             | 400   | 124.102              | 0,61%  |
|                                    |                 | (200)   | (11.649)             | (0,06%)  |
| <b>Total (For negative shocks)</b> |                 |   | <b>(1.810.387)</b>   | <b>(8,86%)</b>   |
| <b>Total (For positive shocks)</b> |                 |   | <b>1.930.646</b>     | <b>9,45%</b>   |
| <b>Prior Period</b>                |                 |   |                      |  |
|                                    | <b>Currency</b> | <b>Applied Shock<br/>(+/- x basis points)</b> | <b>Gains/ Losses</b> | <b>Gains/Shareholders' Equity –<br/>Losses/ Shareholders' Equity</b> |
| 1                                  | TRY             | 500   | (2.441.325)          | (14,11%)   |
|                                    |                 | (400)   | 2.533.249            | 14,64%   |
| 2                                  | EURO            | 200   | 439.085              | 2,54%  |
|                                    |                 | (200)   | (476.404)            | (2,75%)  |
| 3                                  | USD             | 200   | 74.447               | 0,43%  |
|                                    |                 | (200)   | 29.202               | (0,17%)  |
| <b>Total (For negative shocks)</b> |                 |   | <b>(1.927.793)</b>   | <b>(11,14%)</b>  |
| <b>Total (For positive shocks)</b> |                 |   | <b>2.086.047</b>     | <b>12,06%</b>  |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES**

Information about position risk of shares:

| Equities                     | Balance Sheet Value    | Comparison        |              |
|------------------------------|------------------------|-------------------|--------------|
|                              |                        | Fair Value Change | Market Value |
| <b>1. Associates</b>         | <b>264.031</b>         | <b>208.237</b>    |              |
| Quoted in a stock exchange   | -                      | -                 |              |
| Unquoted in a stock exchange | 264.031 <sup>(1)</sup> | 208.237           |              |
| <b>2. Subsidiaries</b>       | <b>38.029</b>          | <b>38.029</b>     |              |
| Quoted in a stock exchange   | -                      | -                 |              |
| Unquoted in a stock exchange | 38.029                 | 38.029            |              |

<sup>(1)</sup> The amount of TRY 264.031 includes, TRY 6.320 amounted associates accounted under equity method and TRY 257.711 amounted associates which is shown at cost value.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

| Portfolio  | Revaluated appreciation in the fair value     |              |                          | Unrealized gains and losses |                                |                          |
|--|---|--------------|--------------------------|-----------------------------|--------------------------------|--------------------------|
|  | Realized gains (losses) in the current period | Total        | Included to core capital | Total                       | Included to total core capital | Included to core capital |
| 1. Private equity investments                    | -   | -            | -                        | -                           | -                              | -                        |
| 2. Share Certificates quoted in a stock exchange | -   | -            | -                        | -                           | -                              | -                        |
| 3. Other share certificates                      | -   | 9.155        | 9.155                    | -                           | -                              | -                        |
| <b>Total</b>                                     | <b>-</b>                                      | <b>9.155</b> | <b>9.155</b>             | <b>-</b>                    | <b>-</b>                       | <b>-</b>                 |

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

To detect liquidity risk, Bank Liquidity Emergency Action Plan (LAEP) has been formed . Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk gets established.

Purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Parent Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity risk measurement made under this purpose contains days that are left for maturity made on the basis of liquidity gap as well as the analysis of "Liquidity Emergency Plan (LAEP)" – projected ratios that are also followed in the former phrase. Short-term liquidity needs of the Parent Bank are satisfied via BIST Repo Market, Interbank Money Market, Interbank Money Market securities sales, TCMB Repo Market, the Central Bank Interbank, currency swaps, the use of reserve and reserve option coefficients (YP).

The top limits of the Parent Bank consist of the following: max lending amount of TL and YP category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TL and YP category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be moved, and finally; the upper limit relating to forward and swap transactions was determined on the that the whole term of TL and foreign currency denominated, forward and the upper limit relating to swap transactions was determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Parent Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for exportation of bonds based on Turkish Liras to provide long term resource allocation ; besides deposit , maturity structure extension of passives was established.

To benefit from new borrowing opportunities to meet the needs of the Parent Bank, in this context, is sourced from the price in the international capital markets / costs to be closely monitored and for the circumstances to be parallel to evaluation of alternative sources of funds.

Effective collateral management structure is provided by the reduction of liquidity risk. Our Bank participates in the organized markets (CBT, BIST and TAKASBANK). Debt upper limits are determined under certain criteria and balance sheet size by the relevant authorities. Open are the current limits to use our bank's current and anticipated liquidity needs to deposit additional collateral. Treasury Management Middle Office Operations are managed by the Treasury Department and monitored continuously.

Effects of macro size balance sheet changes or important changes of market data on Parent bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed.. Whether originated from the bank or the market , under the condition that the potential stress tests are applied ,the legal and internal changes on liquidity ratio and their effects of Parent bank liquidity is quantified.

To show the ratio of withdrawal of interest-bearing deposits in the bank, deposit section of each foreign currency is analyzed through Deposit Analysis.

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**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

According to the "Regulations on the Banks' Liquidity Coverage Ratio Calculation" published by the BDDK, calculated foreign currency and total liquidity coverage ratio are monitored to ensure that banks keep high levels of liquid assets to cover net cash outflows.

"Regulations on the Banks' Liquidity Coverage Ratio Calculation" by BDDK, calculated in accordance to "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan"; the coverage of the former is required for liquidity ratios and daily changes in these rates are monitored, then the information received is shared with the Audit Committee and the Asset-Liability Committee on a regularly basis.

Throughout the current period, bank's Liquidity Satisfactory Rate's lowest and highest values and the weeks which have held these values are portrayed in the table below:

Liquidity Minimum-Maximum

| Liquidity Coverage Ratio | FC           |        | TRY+FC       |        |
|--------------------------|--------------|--------|--------------|--------|
|                          | Related Week | (%)    | Related Week | (%)    |
| Maximum                  | October      | 252.34 | October      | 112.90 |
| Minimum                  | December     | 160.20 | November     | 86.87  |

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**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

|   | Total Unweighted Value<br>(average) <sup>(1)</sup> |                  | Total Weighted Value<br>(average) <sup>(1)</sup> |                   |
|---|--|------------------|--|-------------------|
|   | TL+FC  | FC               | TL+FC  | FC                |
| <b>Current Period</b>   |  |                  |  |                   |
| <b>High Quality Liquid Assets</b>   |  |                  |  |                   |
| High Quality Liquid Assets  |  |                  | 36.483.530                                       | 22.619.177        |
| <b>Cash Outflows</b>  |  |                  |  |                   |
| Retail and Small Business Customers, of which;  | 59.928.266   | 21.968.753       | 4.678.946  | 1.887.215         |
| Stable Deposits   | 26.277.613   | 6.193.200        | 1.313.881  | 309.660           |
| Less Stable Deposits  | 33.650.653   | 15.775.553       | 3.365.065  | 1.577.555         |
| Unsecured wholesale funding , of which;   | 59.588.342   | 20.871.972       | 33.700.026                                       | 12.882.386        |
| Operational Deposits  | -  | -                | -  | -                 |
| Non-operational Deposits  | 53.696.843   | 18.867.534       | 29.191.654                                       | 11.350.496        |
| Other Unsecured Funding   | 5.891.499  | 2.004.438        | 4.508.372  | 1.531.890         |
| Secured Funding   |  |                  | -  | -                 |
| Other cash outflows, of which;  | 5.272.792  | 1.585.399        | 3.952.254  | 1.465.588         |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 3.071.895  | 1.385.714        | 3.071.895  | 1.385.714         |
| Obligations related to structured financial products  | -  | -                | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 2.200.897  | 199.685          | 880.359  | 79.874            |
| Other revocable off-balance sheet commitments and contractual obligations.  | -  | -                | -  | -                 |
| Other irrevocable or conditionally revocable off-balance sheet obligations  | 53.179.861   | 22.395.598       | 4.724.560  | 2.171.561         |
| <b>Total Cash Outflows</b>  |  |                  | <b>47.055.786</b>                                | <b>18.406.750</b> |
| <b>Cash Inflows</b>   |  |                  |  |                   |
| Secured Lending   | 16.643   | 11.311           | -  | -                 |
| Unsecured Lending   | 11.184.432   | 4.374.289        | 6.730.818  | 3.316.671         |
| Other Cash Inflows  | 3.129.692  | 3.005.108        | 3.129.692  | 3.005.108         |
| <b>Total Cash Inflows</b>   | <b>14.330.767</b>                                  | <b>7.390.708</b> | <b>9.860.510</b>                                 | <b>6.321.779</b>  |
|   |  |                  | <b>Total Adjusted Value</b>                      |                   |
| <b>Total HQLA Stock</b>   |  |                  | <b>36.483.530</b>                                | <b>22.619.177</b> |
| <b>Total Net Cash Outflows</b>  |  |                  | <b>37.195.276</b>                                | <b>12.084.971</b> |
| <b>Liquidity Coverage Ratio(%)</b>  |  |                  | <b>98,95</b>                                     | <b>192,75</b>     |

<sup>(1)</sup> To be calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated are weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

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**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

|   | Total Unweighted Value<br>(average) <sup>(1)</sup> |                   | Total Weighted Value<br>(average) <sup>(1)</sup> |                   |
|---|--|-------------------|--|-------------------|
|   | TL+FC  | FC                | TL+FC  | FC                |
| <b>Prior Period</b>   |  |                   |  |                   |
| <b>High Quality Liquid Assets</b>   |  |                   |  |                   |
| High Quality Liquid Assets  |  |                   | 35.438.631                                       | 22.297.031        |
| <b>Cash Outflows</b>  |  |                   |  |                   |
| Retail and Small Business Customers, of which;  | 58.596.750   | 21.806.376        | 4.428.323  | 1.797.964         |
| Stable Deposits   | 28.627.040   | 7.653.473         | 1.431.352  | 382.674           |
| Less Stable Deposits  | 29.969.710   | 14.152.903        | 2.996.971  | 1.415.290         |
| Unsecured wholesale funding , of which;   | 52.432.775   | 20.953.520        | 30.612.056                                       | 12.939.001        |
| Operational Deposits  | -  | -                 | -  | -                 |
| Non-operational Deposits  | 45.560.236   | 17.278.871        | 25.932.338                                       | 10.491.694        |
| Other Unsecured Funding   | 6.872.539  | 3.674.649         | 4.679.718  | 2.447.307         |
| Secured Funding   |  |                   | -  | -                 |
| Other cash outflows, of which;  | 7.237.337  | 847.269           | 5.849.805  | 677.241           |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 4.924.784  | 563.889           | 4.924.784  | 563.889           |
| Obligations related to structured financial products  | -  | -                 | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 2.312.553  | 283.380           | 925.021  | 113.352           |
| Other revocable off-balance sheet commitments and contractual obligations.  | -  | -                 | -  | -                 |
| Other irrevocable or conditionally revocable off-balance sheet obligations  | 45.597.344   | 22.622.372        | 3.963.700  | 2.190.428         |
| <b>Total Cash Outflows</b>  |  |                   | <b>44.853.884</b>                                | <b>17.604.634</b> |
| <b>Cash Inflows</b>   |  |                   |  |                   |
| Secured Lending   | 18.339   | 14.625            | -  | -                 |
| Unsecured Lending   | 12.651.007   | 5.816.570         | 8.146.840  | 4.687.051         |
| Other Cash Inflows  | 4.980.799  | 4.884.708         | 4.980.799  | 4.884.708         |
| <b>Total Cash Inflows</b>   | <b>17.650.145</b>                                  | <b>10.715.903</b> | <b>13.127.639</b>                                | <b>9.571.759</b>  |
|   |  |                   | <b>Total Adjusted Value</b>                      |                   |
| <b>Total HQLA Stock</b>   |  |                   | <b>35.438.631</b>                                | <b>22.297.031</b> |
| <b>Total Net Cash Outflows</b>  |  |                   | <b>31.726.245</b>                                | <b>8.032.875</b>  |
| <b>Liquidity Coverage Ratio(%)</b>  |  |                   | <b>112,07</b>                                    | <b>313,23</b>     |

<sup>(1)</sup> To be calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated are weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

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**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

1. Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

| Current period   | Demand              | Up to 1 month       | 1-3 months          | 3-12 Months       | 1-5 years         | 5 years and over  | Undistributed       | Total              |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
| <b>Assets</b>  |                     |                     |                     |                   |                   |                   |                     |                    |
| Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey | 6.442.160           | 4.722.218           | 7.400.316           | 4.763.830         | 120.582           | 269               | 51.164              | 23.500.539         |
| Banks  | 1.756.514           | 839.928             | 633                 | -                 | -                 | 475               | 20.101              | 2.617.651          |
| Financial assets at fair value through profit and loss   | 9.094               | 18.535              | 97.350              | 162.255           | 48.953            | 2                 | 3.318               | 339.507            |
| Money market placements  | 33.101              | 20.773              | -                   | -                 | -                 | -                 | -                   | 53.874             |
| Financial assets available-for-sale  | -                   | 138.213             | 326.186             | 589.280           | 4.055.050         | 6.309.482         | 116.932             | 11.535.143         |
| Loans <sup>(2)</sup>   | 1.461.769           | 7.150.008           | 9.465.212           | 39.613.982        | 54.228.091        | 14.279.908        | 3.762               | 126.202.732        |
| Held-to-maturity investments   | -                   | 765.436             | 765.234             | 1.618.752         | 4.143.116         | 9.612.339         | -                   | 16.904.877         |
| Other assets <sup>(3)</sup>  | 2.122.150           | 56.424              | 221.789             | 594.599           | 1.492.565         | 182.439           | 5.177.201           | 9.847.167          |
| <b>Total assets</b>  | <b>11.824.788</b>   | <b>13.711.535</b>   | <b>18.276.720</b>   | <b>47.342.698</b> | <b>64.088.357</b> | <b>30.384.914</b> | <b>5.372.478</b>    | <b>191.001.490</b> |
| <b>Liabilities</b>   |                     |                     |                     |                   |                   |                   |                     |                    |
| Bank deposits  | 3.328.873           | 8.427.813           | 2.409.126           | 525.038           | -                 | -                 | -                   | 14.690.850         |
| Other deposits   | 17.599.960          | 56.005.036          | 27.097.314          | 6.591.511         | 511.874           | 7.839             | -                   | 107.813.534        |
| Funds provided from other financial institutions <sup>(4)</sup>  | 37                  | 812.985             | 2.651.138           | 11.023.415        | 5.689.030         | 1.966.879         | 253                 | 22.143.737         |
| Money market balances  | -                   | 7.823.894           | 632.063             | -                 | -                 | -                 | -                   | 8.455.957          |
| Bonds issued   | -                   | 47.656              | 707.800             | 858.861           | 5.781.652         | 1.444.591         | -                   | 8.840.560          |
| Sundry creditors   | 254.480             | 1.035.717           | 75.059              | 317.417           | 707.465           | 155               | 8.451               | 2.398.744          |
| Other liabilities <sup>(1)</sup>   | 4.487.674           | 333.183             | 330.120             | 930.213           | 595.299           | 603.501           | 19.378.118          | 26.658.108         |
| <b>Total liabilities</b>   | <b>25.671.024</b>   | <b>74.486.284</b>   | <b>33.902.620</b>   | <b>20.246.455</b> | <b>13.285.320</b> | <b>4.022.965</b>  | <b>19.386.822</b>   | <b>191.001.490</b> |
| <b>Liquidity gap</b>   | <b>(13.846.236)</b> | <b>(60.774.749)</b> | <b>(15.625.900)</b> | <b>27.096.243</b> | <b>50.803.037</b> | <b>26.361.949</b> | <b>(14.014.344)</b> | <b>-</b>           |
| <b>Previous period</b>   |                     |                     |                     |                   |                   |                   |                     |                    |
| Total assets   | 7.997.077           | 13.360.328          | 17.187.326          | 39.685.614        | 51.716.587        | 22.997.626        | 4.409.703           | 157.354.261        |
| Total liabilities  | 25.106.051          | 63.249.857          | 23.963.749          | 15.384.296        | 9.355.376         | 3.961.867         | 16.333.065          | 157.354.261        |
| <b>Liquidity gap</b>   | <b>(17.108.974)</b> | <b>(49.889.529)</b> | <b>(6.776.423)</b>  | <b>24.301.318</b> | <b>42.361.211</b> | <b>19.035.759</b> | <b>(11.923.362)</b> | <b>-</b>           |

<sup>(1)</sup> Shareholders' equity is disclosed in other liabilities line under the undistributed column.

<sup>(2)</sup> TRY 1.016.819 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

<sup>(3)</sup> Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.



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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

Analysis of non-derivative financial liabilities by remaining contractual maturities:

| <b>Current Period</b>                          | <b>Up to one month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b>  | <b>Over 5 Years</b> | <b>Adjustments</b> | <b>Total</b>       |
|--|------------------------|-------------------|--------------------|-------------------|---------------------|--------------------|--------------------|
| <b>Liabilities</b>                             |                        |                   |                    |                   |                     |                    |                    |
| Deposits                                       | 85.549.835             | 29.814.711        | 7.292.681          | 531.220           | 7.839               | (691.902)          | 122.504.384        |
| Funds provided from other financial intuitions | 814.497                | 2.667.550         | 11.165.398         | 5.880.670         | 2.064.916           | (449.294)          | 22.143.737         |
| Money market borrowings                        | 7.832.684              | 634.574           | -                  | -                 | -                   | (11.301)           | 8.455.957          |
| Securities issued                              | 53.016                 | 723.544           | 1.052.216          | 6.630.355         | 1.479.029           | (1.097.600)        | 8.840.560          |
| Funds  | 568.336                | 127.139           | 132.675            | 603.780           | 634.541             | (102.772)          | 1.963.699          |
| <b>Total</b>                                   | <b>94.818.368</b>      | <b>33.967.518</b> | <b>19.642.970</b>  | <b>13.646.025</b> | <b>4.186.325</b>    | <b>(2.352.869)</b> | <b>163.908.337</b> |

| <b>Prior Period</b>                            | <b>Up to one month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b> | <b>Over 5 Years</b> | <b>Adjustments</b> | <b>Total</b>       |
|--|------------------------|-------------------|--------------------|------------------|---------------------|--------------------|--------------------|
| <b>Liabilities</b>                             |                        |                   |                    |                  |                     |                    |                    |
| Deposits                                       | 74.105.831             | 21.424.794        | 8.272.519          | 427.040          | 5.207               | (581.241)          | 103.654.150        |
| Funds provided from other financial intuitions | 1.310.282              | 1.374.915         | 4.535.413          | 5.294.145        | 2.026.821           | (359.802)          | 14.181.774         |
| Money market borrowings                        | 8.185.745              | 585.000           | -                  | -                | -                   | (4.808)            | 8.765.937          |
| Securities issued                              | 42.047                 | 683.316           | 993.497            | 3.597.344        | 1.758.422           | (983.232)          | 6.091.394          |
| Funds  | 671.523                | 114.622           | 390.449            | 343.079          | 310.068             | (60.450)           | 1.769.291          |
| <b>Total</b>                                   | <b>84.315.428</b>      | <b>24.182.647</b> | <b>14.191.878</b>  | <b>9.661.608</b> | <b>4.100.518</b>    | <b>(1.989.533)</b> | <b>134.462.546</b> |

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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**(continued)**

**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

Analysis of the Group's derivative financial instruments according to their remaining maturities:

| <b>Current Period<sup>(1)</sup></b> | <b>Up to one month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b> | <b>Over 5 Years</b> | <b>Total</b>      |
|-------------------------------------|------------------------|-------------------|--------------------|------------------|---------------------|-------------------|
| Forwards Contracts- Buy             | 726.221                | 2.206.989         | 905.864            | 532.124          | -                   | 4.371.198         |
| Forward Contracts – Sell            | 727.658                | 446.265           | 905.270            | 529.626          | -                   | 2.608.819         |
| Swaps – Buy                         | 3.381.020              | 491.953           | 106.570            | 438.820          | -                   | 4.418.363         |
| Swaps – Sell                        | 3.404.572              | 483.630           | 121.016            | 405.893          | -                   | 4.415.111         |
| Credit Default Swap – Buy           | -                      | -                 | -                  | -                | -                   | -                 |
| Credit Default Swap – Sell          | -                      | -                 | -                  | -                | -                   | -                 |
| Forward Precious Metal – Buy        | -                      | 15.278            | -                  | -                | -                   | 15.278            |
| Forward Precious Metal – Sell       | -                      | 1.734.898         | -                  | -                | -                   | 1.734.898         |
| Money Buy Options                   | 86.586                 | 61.398            | 31.650             | -                | -                   | 179.634           |
| Money Sell Options                  | 86.790                 | 61.184            | 31.650             | -                | -                   | 179.624           |
| Swaps Interest – Buy                | -                      | -                 | -                  | -                | 3.790.180           | 3.790.180         |
| Swaps Interest – Sell               | -                      | -                 | -                  | -                | 3.790.180           | 3.790.180         |
| <b>Total</b>                        | <b>8.412.847</b>       | <b>5.501.595</b>  | <b>2.102.020</b>   | <b>1.906.463</b> | <b>7.580.360</b>    | <b>25.503.285</b> |

<sup>(1)</sup>TRY 481.678 amount of commitment for the forward sale and purchase of assets have been included in the table.

| <b>Prior Period<sup>(1)</sup></b> | <b>Up to one month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b> | <b>Over 5 Years</b> | <b>Total</b>      |
|-----------------------------------|------------------------|-------------------|--------------------|------------------|---------------------|-------------------|
| Forwards Contracts- Buy           | 447.863                | 924.736           | 735.850            | 1.306.080        | -                   | 3.414.529         |
| Forward Contracts – Sell          | 445.641                | 100.785           | 735.784            | 1.255.610        | -                   | 2.537.820         |
| Swaps – Buy                       | 7.382.660              | 2.869.155         | 348.727            | 114.570          | -                   | 10.715.112        |
| Swaps – Sell                      | 7.460.853              | 2.915.569         | 345.286            | 90.745           | -                   | 10.812.453        |
| Credit Default Swap – Buy         | -                      | -                 | -                  | -                | -                   | -                 |
| Credit Default Swap – Sell        | -                      | -                 | -                  | -                | -                   | -                 |
| Forward Precious Metal – Buy      | -                      | 2.445             | -                  | -                | -                   | 2.445             |
| Forward Precious Metal – Sell     | -                      | 805.714           | -                  | -                | -                   | 805.714           |
| Money Buy Options                 | 48.581                 | 45.967            | 62.172             | -                | -                   | 156.720           |
| Money Sell Options                | 48.579                 | 45.967            | 62.172             | -                | -                   | 156.718           |
| Swaps Interest – Buy              | -                      | -                 | -                  | -                | 933.143             | 933.143           |
| Swaps Interest – Sell             | -                      | -                 | -                  | -                | 933.143             | 933.143           |
| <b>Total</b>                      | <b>15.834.177</b>      | <b>7.710.338</b>  | <b>2.289.991</b>   | <b>2.767.005</b> | <b>1.866.286</b>    | <b>30.467.797</b> |

<sup>(1)</sup> TRY 554.547 amount of commitment for the forward sale and purchase of assets have been included in the table.

**IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:**

Securitization positions:

None.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:**

Credit risk mitigation techniques:

The Group does not apply any netting process on balance sheet and off balance sheet items. .

The risk mitigators that are used in credit process are stated below:

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis by the Parent Bank. The credibility of guarantors is monitored within the framework of credit revision periods.

The Bank reviews to reevaluate the value of the mortgages during the credit period.

Only Treasury and the Group's guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Group and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

Information about guaranties according to risk classifications:

| <b>Risk Classifications</b>  | <b>Amount</b>      | <b>Financial guaranties</b> | <b>Other/Physical guaranties</b> | <b>Guarantees and credit derivatives</b> |
|--|--------------------|-----------------------------|----------------------------------|--|
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks                | 47.714.758         | 6.168.814                   | -                                | -  |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government          | 1.074.473          | 23.480                      | -                                | -  |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | 619.959            | 77.780                      | -                                | 100                                      |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks                      | -                  | -                           | -                                | -  |
| Contingent and Non-Contingent Receivables from International Organizations                         | -                  | -                           | -                                | -  |
| Contingent and Non-Contingent Receivables from Banks and Intermediaries                            | 4.663.854          | 539.128                     | -                                | -  |
| Contingent and Non-Contingent Corporate Receivables  | 67.003.874         | 2.132.274                   | -                                | 19.785                                   |
| Contingent and Non-Contingent Retail Receivables   | 41.549.469         | 1.838.116                   | -                                | 44.647                                   |
| Contingent and Non-Contingent Receivables Secured by Residential Property                          | 32.818.466         | 27.615                      | -                                | -  |
| Non-Performing Receivables   | 1.001.856          | -                           | 134.477                          | -  |
| Receivables are identified as high risk by the Board   | 7.541.693          | -                           | -                                | -  |
| Secured Marketable Securities  | -                  | -                           | -                                | -  |
| Securitization Positions   | -                  | -                           | -                                | -  |
| Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries          | -                  | -                           | -                                | -  |
| Investments as Collective Investment Institutions  | -                  | -                           | -                                | -  |
| Other Receivables  | 8.694.071          | -                           | -                                | -  |
| <b>Total</b>   | <b>212.682.473</b> | <b>10.807.207</b>           | <b>134.477</b>                   | <b>64.532</b>                            |

(\*)In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES:**

Risk management target and policies:

Credit Risk:

The Parent Bank's credit authorization limits are defined with respect to Head Office, Regional Directorates and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

In the process of credit assessment process, rating modules are used by the Group and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Group and the Parent Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department of the Parent Bank measures the foreign exchange risk of the Group.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Group is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Group defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of the Group's interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

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**XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES (continued)**

Risk management target and policies (continued):

Liquidity Risk:

The Group's liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of the Group's liquidity shocks are determined by liquidity contingency plan. The Parent Bank's duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XII. EXPLANATIONS ON LEVERAGE RATIO**

The article "Regulation Regarding the Measurement and Evaluation of Banks' leverage level" published on November 5, 2013 and containing No: 28812 includes the table for the calculation of the leverage ratio below.

|   | <b>Current Period<sup>(2)</sup></b> | <b>Prior Period<sup>(2)</sup></b> |
|---|-------------------------------------|-----------------------------------|
| Summary Comparison Table Related to Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with IAS <sup>(1)</sup>   | 178.782.596                         | 156.991.330                       |
| The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>  | 102.283                             | (362.931)                         |
| The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks                   | 12.750.695                          | 15.209.840                        |
| The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks | 9.619.091                           | 6.695.609                         |
| The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks  | 356.768                             | 182.929                           |
| The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks  | -                                   | -                                 |
| <b>Total Risk Amount</b>  | <b>249.728.209</b>                  | <b>203.534.254</b>                |

<sup>(1)</sup> As of reporting date, in the cause of consolidated financial statements is not published yet, the amounts are represented in the table as of 30 June 2015 and 31 December 2014.

<sup>(2)</sup> Three-month average of the amounts in the table.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XII. EXPLANATIONS ON LEVERAGE RATIO (continued)**

|  | Current Period <sup>(1)</sup> | Prior Period <sup>(1)</sup> |
|--|-------------------------------|-----------------------------|
| <b>On-Balance Sheet Items</b>  |                               |                             |
| On-balance sheet items (excluding derivatives and SFTs, but including collateral)  | 188.320.683                   | 151.872.594                 |
| Assets that are deducted from core capital   | (170.073)                     | (144.563)                   |
| Total on balance sheet exposures   | 188.150.610                   | 151.728.031                 |
| <b>Derivative exposures and credit derivatives</b>   |                               |                             |
| Replacement cost associated with derivative financial instruments and credit derivatives                                   | 444.606                       | 125.152                     |
| The potential amount of credit risk with derivative financial instruments and credit derivatives                           | 166.866                       | 166.866                     |
| The total amount of risk on derivative financial instruments and credit derivatives  | 611.472                       | 292.018                     |
| <b>Investment securities or commodity collateral financing transactions</b>  |                               |                             |
| The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items) | 352.063                       | -                           |
| Risk amount of exchange brokerage operations   | -                             | -                           |
| Total risks related with securities or commodity financing transactions  | 352.063                       | -                           |
| <b>Off -Balance Sheet Items</b>  |                               |                             |
| Gross notional amount of off-balance sheet items   | 60.970.833                    | 51.697.133                  |
| Adjustments for conversion to credit equivalent amounts  | (356.768)                     | (182.929)                   |
| The total risk of off-balance sheet items  | 60.614.064                    | 51.514.204                  |
| <b>Capital and Total Exposures</b>   |                               |                             |
| Tier 1 Capital   | 18.669.310                    | 15.514.662                  |
| Total Exposures  | 249.728.209                   | 203.534.254                 |
| <b>Leverage Ratio</b>  |                               |                             |
| Leverage Ratio   | 7,48                          | 7,63                        |

<sup>(1)</sup> Three-month average of the amounts in the table

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION**

The Group's operations are grouped under the corporate, commercial, integrated and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Parent Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Parent Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a portfolio storage institute in order to store client's assets related to individual portfolio management of portfolio management companies.
- Acting as a portfolio management agency.



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**XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION**

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)**

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2015 are presented in the table below.

| Current Period                                    | Corporate         | Commercial        | SME/<br>Integrated | Treasury /<br>Investment <sup>(1)</sup> | Other <sup>(3)</sup> | Total              |
|---|-------------------|-------------------|--------------------|---|----------------------|--------------------|
| <b>OPERATING INCOME / EXPENSES</b>                |                   |                   |                    |   |                      |                    |
| <b>Interest income</b>                            | 1.252.248         | 1.566.379         | 7.834.586          | 3.093.570                               | 225.929              | 13.972.712         |
| Interest on loans                                 | 1.252.216         | 1.566.211         | 7.829.954          | 668.831                                 | -                    | 11.317.212         |
| Interest income on marketable securities          | -                 | -                 | -                  | 2.350.827                               | 21.468               | 2.372.295          |
| Interest received from banks                      | -                 | -                 | -                  | 49.333                                  | 64                   | 49.397             |
| Other interest income <sup>(2)</sup>              | 32                | 168               | 4.632              | 24.579                                  | 204.397              | 233.808            |
| <b>Interest expense</b>                           | 754.908           | 305.330           | 4.773.771          | 2.117.074                               | 87.509               | 8.038.592          |
| Interest on deposits                              | 743.956           | 294.970           | 4.705.333          | 581.054                                 | -                    | 6.325.313          |
| Interest on borrowings                            | 1.388             | 9.620             | 17.423             | 297.774                                 | 86.889               | 413.094            |
| Interest on money market borrowings               | -                 | -                 | -                  | 738.807                                 | -                    | 738.807            |
| Interest on marketable bonds issued               | -                 | -                 | -                  | 457.351                                 | -                    | 457.351            |
| Other interest expense <sup>(2)</sup>             | 9.564             | 740               | 51.015             | 42.088                                  | 620                  | 104.027            |
| <b>Net interest income</b>                        | 497.340           | 1.261.049         | 3.060.815          | 976.496                                 | 138.420              | 5.934.120          |
| Net fees and commissions income                   | 180.974           | 227.705           | 624.468            | 210.111                                 | (149.324)            | 1.093.934          |
| Net trading profit / (loss)                       | -                 | -                 | -                  | (260.313)                               | 19.554               | (240.759)          |
| Dividend income                                   | -                 | -                 | -                  | 6.254                                   | -                    | 6.254              |
| Other income                                      | 6.976             | 51.758            | 272.851            | 614.795                                 | 741.605              | 1.687.985          |
| Loans and other receivables' impairment loss      | 371.039           | 81.570            | 386.691            | 487.797                                 | 49.758               | 1.376.855          |
| Other expenses                                    | 19.171            | 64.802            | 1.658.274          | 1.852.837                               | 611.235              | 4.206.319          |
| <b>Income before taxes</b>                        | <b>295.080</b>    | <b>1.394.140</b>  | <b>1.913.169</b>   | <b>(793.291)</b>                        | <b>89.262</b>        | <b>2.898.360</b>   |
| Income tax provision                              | -                 | -                 | -                  | (541.708)                               | (28.342)             | (570.050)          |
| <b>Net profit for the period</b>                  | <b>295.080</b>    | <b>1.394.140</b>  | <b>1.913.169</b>   | <b>(1.334.999)</b>                      | <b>60.920</b>        | <b>2.328.310</b>   |
| <b>SEGMENT ASSETS</b>                             |                   |                   |                    |   |                      |                    |
| Marketable securities                             | -                 | -                 | -                  | 28.245.148                              | 281.275              | 28.526.423         |
| Derivative financial assets held for trading      | -                 | -                 | -                  | 247.060                                 | 6.044                | 253.104            |
| Banks and money market receivables                | -                 | -                 | -                  | 2.667.826                               | 3.699                | 2.671.525          |
| Associates and subsidiaries (net)                 | -                 | -                 | -                  | 302.060                                 | -                    | 302.060            |
| Loans   | 19.120.030        | 23.941.048        | 73.389.277         | 10.769.196                              | -                    | 127.219.551        |
| Other assets <sup>(1)</sup>                       | 411               | 219.166           | 994.259            | 27.816.286                              | 2.998.705            | 32.028.827         |
| <b>TOTAL ASSETS</b>                               | <b>19.120.441</b> | <b>24.160.214</b> | <b>74.383.536</b>  | <b>70.047.576</b>                       | <b>3.289.723</b>     | <b>191.001.490</b> |
| <b>SEGMENT LIABILITIES</b>                        |                   |                   |                    |   |                      |                    |
| Deposits  | 14.534.734        | 7.832.679         | 84.745.717         | 15.391.254                              | -                    | 122.504.384        |
| Derivative financial liabilities held for trading | -                 | -                 | -                  | 150.716                                 | 24.957               | 175.673            |
| Money market balances                             | -                 | -                 | -                  | 8.455.957                               | -                    | 8.455.957          |
| Borrowing funding loans                           | 2.623             | 178.763           | 524.629            | 20.005.468                              | 1.432.254            | 22.143.737         |
| Bonds issued                                      | -                 | -                 | -                  | 8.840.560                               | -                    | 8.840.560          |
| Other liabilities                                 | 182.692           | 227.718           | 3.890.413          | 1.732.360                               | 70.580               | 6.103.763          |
| Provisions and tax payable                        | 44.141            | 35.196            | 165.682            | 2.399.525                               | 966.198              | 3.610.742          |
| Shareholders' equity                              | -                 | -                 | -                  | 18.347.846                              | 818.828              | 19.166.674         |
| <b>TOTAL LIABILITIES</b>                          | <b>14.764.190</b> | <b>8.274.356</b>  | <b>89.326.441</b>  | <b>75.323.686</b>                       | <b>3.312.817</b>     | <b>191.001.490</b> |
| <b>OFF BALANCE SHEET ITEMS</b>                    |                   |                   |                    |   |                      |                    |
| Guarantees and surety ships                       | 11.598.690        | 8.607.657         | 9.653.785          | 10.177.094                              | -                    | 40.037.226         |
| Commitments                                       | 42.388            | 761.495           | 8.566.394          | 12.664.419                              | 6.607                | 22.041.303         |
| Derivative financial instruments                  | -                 | -                 | -                  | 24.388.456                              | 633.151              | 25.021.607         |

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Cancanska Bank AD, Cacak, Halk Banka AD, Skopje transactions are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 3.144.367 (net), deferred tax assets amounting TRY 49.703 is presented under the Treasury / Investment column.

<sup>(2)</sup> Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

<sup>(3)</sup> Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kira lama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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**XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION (continued)**

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2014 are presented in the table below.

| Prior Period                                      | Corporate         | Commercial        | SME/<br>Integrated | Treasury /<br>Investment <sup>(1)</sup> | Other <sup>(3)</sup> | Total              |
|---|-------------------|-------------------|--------------------|---|----------------------|--------------------|
| <b>OPERATING INCOME / EXPENSES</b>                |                   |                   |                    |   |                      |                    |
| <b>Interest income</b>                            | 1.006.215         | 1.099.435         | 6.212.934          | 3.185.047                               | 215.339              | 11.718.970         |
| Interest on loans                                 | 1.006.164         | 1.099.343         | 6.208.582          | 486.631                                 | -                    | 8.800.720          |
| Interest income on marketable securities          | -                 | -                 | -                  | 2.663.196                               | 30.992               | 2.694.188          |
| Interest received from banks                      | -                 | -                 | -                  | 27.670                                  | 3.278                | 30.948             |
| Other interest income <sup>(2)</sup>              | 51                | 92                | 4.352              | 7.550                                   | 181.069              | 193.114            |
| <b>Interest expense</b>                           | 625.823           | 180.959           | 4.002.182          | 1.499.195                               | 77.359               | 6.385.518          |
| Interest on deposits                              | 590.991           | 160.751           | 3.935.302          | 459.986                                 | -                    | 5.147.030          |
| Interest on borrowings                            | 2.716             | 13.205            | 16.539             | 218.896                                 | 71.366               | 322.722            |
| Interest on money market borrowings               | -                 | -                 | -                  | 542.820                                 | -                    | 542.820            |
| Interest on marketable bonds issued               | -                 | -                 | -                  | 272.929                                 | 5.993                | 278.922            |
| Other interest expense <sup>(2)</sup>             | 32.116            | 7.003             | 50.341             | 4.564                                   | -                    | 94.024             |
| <b>Net interest income</b>                        | 380.392           | 918.476           | 2.210.752          | 1.685.852                               | 137.980              | 5.333.452          |
| Net fees and commissions income                   | 184.082           | 129.290           | 584.842            | 143.861                                 | (92.910)             | 949.165            |
| Net trading profit / (loss)                       | -                 | -                 | -                  | 63.971                                  | 13.269               | 77.240             |
| Dividend income                                   | -                 | -                 | -                  | 19.602                                  | 3.539                | 23.141             |
| Other income                                      | 7.660             | 68.259            | 267.991            | 267.087                                 | 494.529              | 1.105.525          |
| Loans and other receivables' impairment loss      | 415.756           | 128.817           | 366.492            | 255.625                                 | 62.461               | 1.229.151          |
| Other expenses                                    | 20.189            | 62.934            | 1.357.844          | 1.599.815                               | 372.699              | 3.413.481          |
| <b>Income before taxes</b>                        | <b>136.189</b>    | <b>924.274</b>    | <b>1.339.249</b>   | <b>324.933</b>                          | <b>121.247</b>       | <b>2.845.891</b>   |
| Income tax provision                              | -                 | -                 | -                  | (525.563)                               | (33.025)             | (558.588)          |
| <b>Net profit for the period</b>                  | <b>136.189</b>    | <b>924.274</b>    | <b>1.339.249</b>   | <b>(200.630)</b>                        | <b>88.222</b>        | <b>2.287.303</b>   |
| <b>SEGMENT ASSETS</b>                             |                   |                   |                    |   |                      |                    |
| Marketable securities                             | -                 | -                 | -                  | 26.882.784                              | 284.505              | 27.167.289         |
| Derivative financial assets held for trading      | -                 | -                 | -                  | 103.141                                 | 20.479               | 123.620            |
| Banks and money market receivables                | -                 | -                 | -                  | 1.751.421                               | 9.218                | 1.760.639          |
| Associates and subsidiaries (net)                 | -                 | -                 | -                  | 263.977                                 | -                    | 263.977            |
| Loans   | 14.953.573        | 16.297.820        | 62.060.930         | 8.518.830                               | -                    | 101.831.153        |
| Other assets <sup>(1)</sup>                       | 601               | 11.029            | 812.486            | 22.870.743                              | 2.512.724            | 26.207.583         |
| <b>TOTAL ASSETS</b>                               | <b>14.954.174</b> | <b>16.308.849</b> | <b>62.873.416</b>  | <b>60.390.896</b>                       | <b>2.826.926</b>     | <b>157.354.261</b> |
| <b>SEGMENT LIABILITIES</b>                        |                   |                   |                    |   |                      |                    |
| Deposits  | 12.489.011        | 5.830.939         | 67.860.260         | 17.473.940                              | -                    | 103.654.150        |
| Derivative financial liabilities held for trading | -                 | -                 | -                  | 176.425                                 | 8.304                | 184.729            |
| Money market balances                             | -                 | -                 | -                  | 8.765.937                               | -                    | 8.765.937          |
| Borrowing funding loans                           | 13.976            | 213.542           | 318.214            | 12.255.378                              | 1.380.664            | 14.181.774         |
| Bonds issued                                      | -                 | -                 | -                  | 6.091.394                               | -                    | 6.091.394          |
| Other liabilities                                 | 266.765           | 222.978           | 3.460.307          | 1.299.105                               | 47.717               | 5.296.872          |
| Provisions and tax payable                        | 34.336            | 30.294            | 129.752            | 2.471.491                               | 696.124              | 3.361.997          |
| Shareholders' equity                              | -                 | -                 | -                  | 14.978.048                              | 839.360              | 15.817.408         |
| <b>TOTAL LIABILITIES</b>                          | <b>12.804.088</b> | <b>6.297.753</b>  | <b>71.768.533</b>  | <b>63.511.718</b>                       | <b>2.972.169</b>     | <b>157.354.261</b> |
| <b>OFF BALANCE SHEET ITEMS</b>                    |                   |                   |                    |   |                      |                    |
| Guarantees and surety ships                       | 10.644.543        | 8.156.253         | 8.067.904          | 5.909.892                               | 87.349               | 32.865.941         |
| Commitments                                       | 46.133            | 653.733           | 7.553.718          | 11.391.482                              | 254.297              | 19.899.363         |
| Derivative financial instruments                  | -                 | -                 | -                  | 29.384.723                              | 528.527              | 29.913.250         |

<sup>(1)</sup> Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.683.915 (net) and deferred tax assets amounting TRY 309.467 in other assets are presented under the Treasury / Investment column.

<sup>(2)</sup> Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

<sup>(3)</sup> Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are shown in other column.

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**SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)**

**XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**

|  | Book Value         |                    | Fair Value         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Current Period     | Prior Period       | Current Period     | Prior Period       |
| <b>Financial Assets</b>  | <b>183.722.815</b> | <b>152.165.767</b> | <b>172.124.292</b> | <b>143.573.535</b> |
| Cash and Balances with the Central Bank of Turkey                                | 23.500.539         | 20.331.936         | 23.500.539         | 20.331.936         |
| Financial assets fair value changes reflected to income statement <sup>(3)</sup> | 333.295            | 225.980            | 333.295            | 225.980            |
| Banks  | 2.617.651          | 1.458.532          | 2.617.651          | 1.458.532          |
| Money market placements  | 53.874             | 302.107            | 53.874             | 302.107            |
| Available for sale financial assets <sup>(1)</sup>                               | 11.418.210         | 9.168.734          | 11.418.210         | 9.168.734          |
| Held to maturity investments   | 16.904.877         | 17.869.082         | 16.520.672         | 19.079.880         |
| Loans <sup>(2)</sup>   | 126.202.732        | 100.545.515        | 114.988.414        | 90.742.485         |
| Finance Lease Receivables (Net)  | 2.204.752          | 1.902.536          | 2.204.752          | 1.902.536          |
| Factoring Receivables  | 486.885            | 361.345            | 486.885            | 361.345            |
| <b>Financial Liabilities</b>   | <b>164.519.055</b> | <b>134.967.516</b> | <b>166.080.713</b> | <b>136.529.174</b> |
| Deposits   | 122.504.384        | 103.654.150        | 122.606.101        | 103.755.867        |
| Derivative financial liabilities held for trading                                | 175.673            | 184.729            | 175.673            | 184.729            |
| Funds provided from other financial institutions                                 | 22.143.737         | 14.181.774         | 23.656.563         | 15.694.600         |
| Money market borrowings  | 8.455.957          | 8.765.937          | 8.455.957          | 8.765.937          |
| Securities issued  | 8.840.560          | 6.091.394          | 8.840.758          | 6.091.592          |
| Miscellaneous payables   | 2.398.744          | 2.089.532          | 2.345.661          | 2.036.449          |

<sup>(1)</sup> As of 31 December 2015 TRY 116.993 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2014: TRY 27.113).

<sup>(2)</sup> Net of follow-up loans has not been included in the table above.

<sup>(3)</sup> As of 31 December 2015 marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

*Classification of Fair Value Measurement*

*IFRS 7 – Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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**XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

| <b>Current Period</b>                                       | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>      |
|---|-------------------|----------------|----------------|-------------------|
| <b>Financial assets at fair value through profit/loss:</b>  |                   |                |                |                   |
| Financial assets held for trading purpose                   | 80.191            | 253.104        | -              | 333.295           |
| <i>Debt securities</i>                                      | 61.672            | -              | -              | 61.672            |
| <i>Derivative financial assets held for trading purpose</i> | -                 | 253.104        | -              | 253.104           |
| Bonds   | 3.318             | -              | -              | 3.318             |
| Other Securities <sup>(2)</sup>                             | 15.201            | -              | -              | 15.201            |
| Available-for-sale financial assets <sup>(1)</sup>          | 11.418.210        | -              | -              | 11.418.210        |
| <i>Debt securities</i>                                      | 11.390.219        | -              | -              | 11.390.219        |
| <i>Other Securities</i>                                     | 27.991            | -              | -              | 27.991            |
| Subsidiaries  | -                 | -              | 38.029         | 38.029            |
| <b>Total Financial Assets</b>                               | <b>11.498.401</b> | <b>253.104</b> | <b>38.029</b>  | <b>11.789.534</b> |

**Financial liabilities at fair value through profit/loss:**

Derivative financial liabilities held for trading purpose - 175.673 - 175.673

**Total Financial Liabilities - 175.673 - 175.673**

<sup>(1)</sup> As of 31 December 2015, share certificates amounting to TRY 116.933 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2015, marketable securities amounting to TRY 6.212 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

| <b>Prior Period</b>   | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|---|------------------|----------------|----------------|------------------|
| <b>Financial assets at fair value through profit/loss:</b>  |                  |                |                |                  |
| Financial assets held for trading purpose                   | 98.561           | 123.620        | -              | 222.181          |
| <i>Debt securities</i>                                      | 65.732           | -              | -              | 65.732           |
| <i>Derivative financial assets held for trading purpose</i> | -                | 123.620        | -              | 123.620          |
| Bonds   | 7.334            | -              | -              | 7.334            |
| Other Securities <sup>(2)</sup>                             | 25.495           | -              | -              | 25.495           |
| Available-for-sale financial assets <sup>(1)</sup>          | 9.168.734        | -              | -              | 9.168.734        |
| <i>Debt securities</i>                                      | 9.157.289        | -              | -              | 9.157.289        |
| <i>Other Securities</i>                                     | 11.445           | -              | -              | 11.445           |
| Subsidiaries  | -                | -              | 37.859         | 37.859           |
| <b>Total Financial Assets</b>                               | <b>9.267.295</b> | <b>123.620</b> | <b>37.859</b>  | <b>9.428.774</b> |

**Financial liabilities at fair value through profit/loss:**

Derivative financial liabilities held for trading purpose - 184.729 - 184.729

**Total Financial Liabilities - 184.729 - 184.729**

<sup>(1)</sup> As of 31 December 2014, share certificates amounting to TRY 27.113 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

<sup>(2)</sup> As of 31 December 2014, marketable securities amounting to TRY 3.799 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Movement of financial assets at level three is as follows:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Beginning Balance                                      | 37.859                | 30.604              |
| Purchases during the year                              | -                     | -                   |
| Bonus shares obtained profit from current year's share | -                     | 13.000              |
| Valuation differences                                  | 170                   | (5.745)             |
| <b>Balance at the end of the period</b>                | <b>38.029</b>         | <b>37.859</b>       |

**XIV. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST**

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

The Group does not engage in transaction based on trust.

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS**

(1) a) Cash and balances with the Central Bank of Turkey:

|                           | Current period   |                   | Prior period     |                   |
|---------------------------|------------------|-------------------|------------------|-------------------|
|                           | TRY              | FC                | TRY              | FC                |
| Cash and foreign currency | 924.601          | 334.193           | 755.299          | 244.836           |
| Central Bank of Turkey    | 3.414.818        | 18.700.084        | 3.404.093        | 15.897.276        |
| Other <sup>(1)</sup>      | -                | 126.843           | -                | 30.432            |
| <b>Total</b>              | <b>4.339.419</b> | <b>19.161.120</b> | <b>4.159.392</b> | <b>16.172.544</b> |

<sup>(1)</sup>As of 31 December 2015, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 34.937 and amounted TRY 91.892 kept in Central Bank of Serbia (31 December 2014: TRY 30.087).

Information on the account of Central Bank of Turkey:

|   | Current period   |                   | Prior period     |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | TRY              | FC                | TRY              | FC                |
| Demand unrestricted amount <sup>(1)</sup> | 3.377.292        | 1.774.258         | 3.389.735        | 1.360.238         |
| Time unrestricted amount                  | -                | -                 | -                | -                 |
| Time restricted amount                    | -                | -                 | -                | -                 |
| Reserve deposits <sup>(2)</sup>           | 37.526           | 16.925.826        | 14.358           | 14.537.038        |
| <b>Total</b>                              | <b>3.414.818</b> | <b>18.700.084</b> | <b>3.404.093</b> | <b>15.897.276</b> |

<sup>(1)</sup>Reserve deposits kept in Central Bank of Turkey.

<sup>(2)</sup>Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2014: between 5% and 11,5% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 5% and 25% according to their maturities (31 December 2014: between 6% and 13 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, Central Bank of Turkey pays interests to TL and FC reserves.

With the Board of Minutes No.872 dated 30 January 2014 of TRNC Central Bank’s, required reserve ratio is between 5% and 8% for foreign currency liabilities.

As per the change at 21 October 2014, CBT started to pay interests at November 2014 on TL reserves with 500 or 700 basis points lower than the weighted average fund costs shown on the CBT website. With the press relates dated 22 April 2015, the interest rate for TL raised 50 basis points.

With the the change in press release dated 23 January 2015, it has been decided to apply a 20 basis point annual commission, to be charged on daily account balances and collected on a monthly basis, on required reserves and two days notice account denominated in Euro held by banks and these are going to be collected as of 1 February 2015. According to the press release dated 30 June 2015, the balances denominated in Euro in required reserves and notice accounts held with the Central Bank is reduced temporarily to 5 basis points due to the recent developments in the Eurozone.

As of 27 July 2015 commision ratios have been announced on the CBRT website as the zero percent.

With the change in 2 May 2015 made by CBRT, US Dollars denominated required reserves, reserve options and free reserves held at Central Bank of Republic of Turkey will be remunerated. The interest rate will be set on daily basis by taking global and local financial markets conditions into account. Effective interest rate is 0,49 % after 17 December 2015.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 8% for MKD currency liabilities and 15% for foreign currency liabilities.

Accordingly to Official Gazzette of Serbia No. 78/2015, Central Bank of Serbia keep reserved required ratio 5% for short term liabilities which have been less than two years and 0% for long term liabilities, more than two years, 22% for foreign short term currency liabilities, less than two years, and 15% for long term foreign liabilities more than two years.

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

In the current year the Group's collateral / blocked amount of 12.598 TL has a fair value which was reflected through profit / loss of its financial assets. (31 December 2014: None).

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

The fair value of the Group which are subject to repurchase agreements in the current period and prior period through profit / loss has no financial assets.

c) Positive differences related to the derivative financial assets held-for-trading:

|                      | Current period |                | Prior period |                |
|----------------------|----------------|----------------|--------------|----------------|
|                      | TRY            | FC             | TRY          | FC             |
| Forward transactions | -              | 131.507        | -            | 69.995         |
| Swap transactions    | -              | 121.519        | -            | 44.193         |
| Futures transactions | -              | -              | 138          | -              |
| Options              | 7              | 71             | 8            | 763            |
| Other                | -              | -              | 8.523        | -              |
| <b>Total</b>         | <b>7</b>       | <b>253.097</b> | <b>8.669</b> | <b>114.951</b> |

(3) Information on banks and other financial institutions:

a) Information on banks:

|                             | Current period |                  | Prior period   |                  |
|-----------------------------|----------------|------------------|----------------|------------------|
|                             | TRY            | FC               | TRY            | FC               |
| Banks                       |                |                  |                |                  |
| Domestic banks              | 21.842         | 531.222          | 98.565         | 567.451          |
| Foreign banks               | 55.258         | 2.009.329        | 45.910         | 746.606          |
| Branches and offices abroad | -              | -                | -              | -                |
| <b>Total</b>                | <b>77.100</b>  | <b>2.540.551</b> | <b>144.475</b> | <b>1.314.057</b> |

b) Information on foreign banks:

|                               | Unrestricted Balance |                | Restricted Balances |              |
|-------------------------------|----------------------|----------------|---------------------|--------------|
|                               | Current Period       | Prior Period   | Current Period      | Prior Period |
| EU Countries                  | 1.644.575            | 480.019        | 24.786              | -            |
| USA and Canada                | 165.995              | 79.595         | 378                 | -            |
| OECD Countries <sup>(1)</sup> | 42.808               | 148.231        | 1.245               | -            |
| Offshore Banking Regions      | -                    | -              | -                   | -            |
| Other                         | 184.800              | 84.671         | -                   | -            |
| <b>Total</b>                  | <b>2.038.178</b>     | <b>792.516</b> | <b>26.409</b>       | <b>-</b>     |

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

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

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

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

|   | Current period |                | Prior period   |                |
|---|----------------|----------------|----------------|----------------|
|   | TRY            | FC             | TRY            | FC             |
| Treasury bills, government bonds and similar securities | 141.315        | 709.473        | 145.325        | 848.984        |
| <b>Total</b>  | <b>141.315</b> | <b>709.473</b> | <b>145.325</b> | <b>848.984</b> |

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

|   | Current Period   |                | Prior period     |          |
|---|------------------|----------------|------------------|----------|
|   | TRY              | FC             | TRY              | FC       |
| Treasury bills, government bonds and similar securities | 1.269.031        | 355.458        | 1.286.912        | -        |
| <b>Total</b>  | <b>1.269.031</b> | <b>355.458</b> | <b>1.286.912</b> | <b>-</b> |

b) Information on financial assets available-for-sale portfolio:

|                                   | Current period    | Prior period     |
|-----------------------------------|-------------------|------------------|
| Debt securities                   | 11.602.861        | 9.169.408        |
| <i>Quoted on a stock exchange</i> | 11.462.094        | 9.169.408        |
| <i>Not quoted</i>                 | 140.767           | -                |
| Share certificates                | 141.875           | 45.995           |
| <i>Quoted on a stock exchange</i> | 104.185           | 6.267            |
| <i>Not quoted</i>                 | 37.690            | 39.728           |
| Impairment provision(-)           | 209.593           | 19.556           |
| <b>Total</b>                      | <b>11.535.143</b> | <b>9.195.847</b> |

(5) Information on loans:

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

|  | Current period |          | Prior period   |          |
|--|----------------|----------|----------------|----------|
|  | Non-cash       |          | Non-cash       |          |
|  | Cash loans     | loans    | Cash loans     | loans    |
| Direct loans granted to shareholders   | -              | -        | -              | -        |
| <i>Corporate shareholders</i>          | -              | -        | -              | -        |
| <i>Real person shareholders</i>        | -              | -        | -              | -        |
| Indirect loans granted to shareholders | -              | -        | -              | -        |
| Loans granted to employees             | 197.937        | -        | 174.840        | -        |
| <b>Total</b>                           | <b>197.937</b> | <b>-</b> | <b>174.840</b> | <b>-</b> |

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

|  | Standard loans and other receivables |                               |          | Loans and other receivables under close monitoring |                               |          |
|--|--------------------------------------|-------------------------------|----------|--|-------------------------------|----------|
|  | Loans and other receivables (Total)  | Agreement conditions modified |          | Loans and other receivables (Total)                | Agreement conditions modified |          |
|  |                                      | Payment plan extensions       | Other    |  | Payment plan extensions       | Other    |
|  | <b>Cash loans</b>                    |                               |          |  |                               |          |
| Non-specialized loans                  | 98.306.299                           | 1.133.587                     | -        | 3.247.975  | 1.334.984                     | -        |
| <i>Corporation loans</i>               | 62.910.456                           | 900.957                       | -        | 2.849.035  | 1.319.344                     | -        |
| <i>Export loans</i>                    | 3.896.644                            | 85.981                        | -        | 28.843   | 11.850                        | -        |
| <i>Import loans</i>                    | -                                    | -                             | -        | -  | -                             | -        |
| <i>Loans given to financial sector</i> | 2.271.599                            | -                             | -        | -  | -                             | -        |
| <i>Consumer loans<sup>(1)</sup></i>    | 24.823.780                           | 49.876                        | -        | 217.125  | 3.784                         | -        |
| <i>Credit cards<sup>(2)</sup></i>      | 3.020.473                            | 95.928                        | -        | 68.555   | -                             | -        |
| <i>Other</i>                           | 1.383.347                            | 845                           | -        | 84.417   | 6                             | -        |
| Specialized lending                    | 22.818.358                           | 96.656                        | -        | 212.312  | 1.881                         | -        |
| Other receivables                      | -                                    | -                             | -        | -  | -                             | -        |
| Accruals                               | 1.573.325                            | 15.941                        | -        | 44.463   | 17.323                        | -        |
| <b>Total</b>                           | <b>122.697.982</b>                   | <b>1.246.184</b>              | <b>-</b> | <b>3.504.750</b>                                   | <b>1.354.188</b>              | <b>-</b> |

<sup>(1)</sup> Includes TRY 151.819 of personnel loans.

<sup>(2)</sup> Includes TRY 46.118 of personnel credit cards.



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| <b>Number of modifications made to extend payment plan</b> | <b>Standard Loans and Other Receivables<sup>(1)</sup></b> | <b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b> |
|--|---|---|
| Extended by 1 or 2 times                                   | 1.146.565   | 1.331.552   |
| Extended by 3,4 or 5 times                                 | 77.553  | 4.575   |
| Extended by more than 5 times                              | 6.125   | 738   |

<sup>(1)</sup>Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 17.323 are not included in the table above.

| <b>Extended period of time</b> | <b>Standard Loans and Other Receivables<sup>(1)</sup></b> | <b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b> |
|--------------------------------|---|---|
| 0-6 Months                     | 385.959   | 116.549   |
| 6 Months - 12 Months           | 339.172   | 185.822   |
| 1-2 Years                      | 92.663  | 142.616   |
| 2-5 Years                      | 277.548   | 458.017   |
| 5 Years and over               | 134.901   | 433.861   |

<sup>(1)</sup>Accruals amounting to TRY 15.941 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 17.323 are not included in the table above.

(5) Information on loans: (continued)

c) Loans according to their maturity structure:

| <b>Current Period</b>                                   | <b>Standard loans and other receivables</b> |                                      | <b>Loans and other receivables under close monitoring</b> |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | <b>Loans and other receivables</b>          | <b>Agreement conditions modified</b> | <b>Loans and other receivables</b>                        | <b>Agreement conditions modified</b> |
| <b>Short term loans and other receivables</b>           | <b>26.726.056</b>                           | <b>376.526</b>                       | <b>664.528</b>  | <b>241.806</b>                       |
| <i>Non-specialized loans</i>                            | 26.112.868                                  | 358.948                              | 656.032   | 238.713                              |
| <i>Specialized lending</i>                              | 275.005                                     | 12.762                               | 55  | -                                    |
| <i>Other receivables</i>                                | -   | -                                    | -   | -                                    |
| <i>Accruals</i>   | 338.183                                     | 4.816                                | 8.441   | 3.093                                |
| <b>Medium and long term loans and other receivables</b> | <b>95.971.926</b>                           | <b>869.658</b>                       | <b>2.840.222</b>  | <b>1.112.382</b>                     |
| <i>Non-specialized loans</i>                            | 72.193.431                                  | 774.639                              | 2.591.943   | 1.096.271                            |
| <i>Specialized lending</i>                              | 22.543.353                                  | 83.894                               | 212.257   | 1.881                                |
| <i>Other receivables</i>                                | -   | -                                    | -   | -                                    |
| <i>Accruals</i>   | 1.235.142                                   | 11.125                               | 36.022  | 14.230                               |

| <b>Prior Period</b>                                     | <b>Standard loans and other receivables</b> |                                      | <b>Loans and other receivables under close monitoring</b> |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | <b>Loans and other receivables</b>          | <b>Agreement conditions modified</b> | <b>Loans and other receivables</b>                        | <b>Agreement conditions modified</b> |
| <b>Short term loans and other receivables</b>           | <b>22.492.658</b>                           | <b>332.560</b>                       | <b>273.380</b>  | <b>28.324</b>                        |
| <i>Non-specialized loans</i>                            | 21.986.196                                  | 305.605                              | 269.892   | 27.965                               |
| <i>Specialized lending</i>                              | 223.866                                     | 22.746                               | 90  | -                                    |
| <i>Other receivables</i>                                | -   | -                                    | -   | -                                    |
| <i>Accruals</i>   | 282.596                                     | 4.209                                | 3.398   | 359                                  |
| <b>Medium and long term loans and other receivables</b> | <b>75.716.206</b>                           | <b>395.879</b>                       | <b>871.826</b>  | <b>434.682</b>                       |
| <i>Non-specialized loans</i>                            | 57.348.523                                  | 340.402                              | 684.013   | 417.150                              |
| <i>Specialized lending</i>                              | 17.402.527                                  | 50.466                               | 176.905   | 12.031                               |
| <i>Other receivables</i>                                | -   | -                                    | -   | -                                    |
| <i>Accruals</i>   | 965.156                                     | 5.011                                | 10.908  | 5.501                                |

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(5) Information on loans: (continued)

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

|  | Short-term       | Medium and long-term | Total             |
|--|------------------|----------------------|-------------------|
| Consumer loans-TRY                       | 297.572          | 23.639.551           | 23.937.123        |
| <i>Real estate loans</i>                 | 3.757            | 12.235.397           | 12.239.154        |
| <i>Automobile loans</i>                  | 2.369            | 175.268              | 177.637           |
| <i>Consumer loans</i>                    | 291.446          | 11.228.886           | 11.520.332        |
| <i>Other</i>                             | -                | -                    | -                 |
| Consumer loans- Indexed to FC            | -                | -                    | -                 |
| <i>Real estate loans</i>                 | -                | -                    | -                 |
| <i>Automobile loans</i>                  | -                | -                    | -                 |
| <i>Consumer loans</i>                    | -                | -                    | -                 |
| <i>Other</i>                             | -                | -                    | -                 |
| Consumer loans- FC                       | 2.702            | 475.576              | 478.278           |
| <i>Real estate loans</i>                 | 302              | 71.375               | 71.677            |
| <i>Automobile loans</i>                  | 52               | 2.189                | 2.241             |
| <i>Consumer loans</i>                    | 1.380            | 353.108              | 354.488           |
| <i>Other</i>                             | 968              | 48.904               | 49.872            |
| Individual credit cards-TRY              | 2.228.104        | 2.282                | 2.230.386         |
| <i>Installment</i>                       | 950.767          | -                    | 950.767           |
| <i>Non-installment</i>                   | 1.277.337        | 2.282                | 1.279.619         |
| Individual credit cards-FC               | 477              | 38.024               | 38.501            |
| <i>Installment</i>                       | 312              | 38.024               | 38.336            |
| <i>Non-installment</i>                   | 165              | -                    | 165               |
| Personnel loans-TRY                      | 6.929            | 130.483              | 137.412           |
| <i>Real estate loans</i>                 | -                | -                    | -                 |
| <i>Automobile loans</i>                  | -                | -                    | -                 |
| <i>Consumer loans</i>                    | 6.929            | 130.483              | 137.412           |
| <i>Other</i>                             | -                | -                    | -                 |
| Personnel loans-Indexed to FC            | -                | -                    | -                 |
| <i>Real estate loans</i>                 | -                | -                    | -                 |
| <i>Automobile loans</i>                  | -                | -                    | -                 |
| <i>Consumer loans</i>                    | -                | -                    | -                 |
| <i>Other</i>                             | -                | -                    | -                 |
| Personnel loans-FC                       | 112              | 14.295               | 14.407            |
| <i>Real estate loans</i>                 | 11               | 13.102               | 13.113            |
| <i>Automobile loans</i>                  | -                | 61                   | 61                |
| <i>Consumer loans</i>                    | 76               | 966                  | 1.042             |
| <i>Other</i>                             | 25               | 166                  | 191               |
| Personnel credit cards-TRY               | 45.335           | 5                    | 45.340            |
| <i>Installment</i>                       | 18.484           | -                    | 18.484            |
| <i>Non-installment</i>                   | 26.851           | 5                    | 26.856            |
| Personnel credit cards-FC                | 108              | 670                  | 778               |
| <i>Installment</i>                       | 11               | 670                  | 681               |
| <i>Non-installment</i>                   | 97               | -                    | 97                |
| Overdraft accounts-TRY (Retail customer) | 447.488          | -                    | 447.488           |
| Overdraft accounts-FC (Retail customer)  | 26.197           | -                    | 26.197            |
| <b>Total</b>                             | <b>3.055.024</b> | <b>24.300.886</b>    | <b>27.355.910</b> |

<sup>(1)</sup> Interest income accruals are not included in the table above.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(5) Information on loans: (continued)

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

|  | Short-term       | Medium and long-term | Total            |
|--|------------------|----------------------|------------------|
| Commercial installment loans-TRY             | 4.549            | 1.048.741            | 1.053.290        |
| <i>Business residential loans</i>            | -                | 668.708              | 668.708          |
| <i>Automobile loans</i>                      | 4.549            | 308.096              | 312.645          |
| <i>Consumer loans</i>                        | -                | 71.937               | 71.937           |
| <i>Other</i>                                 | -                | -                    | -                |
| Commercial installment loans- Indexed to FC  | -                | -                    | -                |
| <i>Business residential loans</i>            | -                | -                    | -                |
| <i>Automobile loans</i>                      | -                | -                    | -                |
| <i>Consumer loans</i>                        | -                | -                    | -                |
| <i>Other</i>                                 | -                | -                    | -                |
| Commercial installment loans - FC            | 210.414          | 356.619              | 567.033          |
| <i>Business residential loans</i>            | -                | -                    | -                |
| <i>Automobile loans</i>                      | -                | -                    | -                |
| <i>Consumer loans</i>                        | -                | -                    | -                |
| <i>Other</i>                                 | 210.414          | 356.619              | 567.033          |
| Corporate credit cards-TRY                   | 772.911          | -                    | 772.911          |
| <i>Installment</i>                           | 382.196          | -                    | 382.196          |
| <i>Non-installment</i>                       | 390.715          | -                    | 390.715          |
| Corporate credit cards-FC                    | 2                | 1.110                | 1.112            |
| <i>Installment</i>                           | -                | 1.110                | 1.110            |
| <i>Non-installment</i>                       | 2                | -                    | 2                |
| Overdraft accounts-TRY (Commercial customer) | 707.423          | -                    | 707.423          |
| Overdraft accounts-FC (Commercial customer)  | -                | -                    | -                |
| <b>Total</b>                                 | <b>1.695.299</b> | <b>1.406.470</b>     | <b>3.101.769</b> |

(1) Interest and income accruals are not included in table above.

f) Loan according to type of borrowers:

|              | Current period     | Prior period       |
|--------------|--------------------|--------------------|
| Public       | 3.705.794          | 2.642.267          |
| Private      | 122.496.938        | 97.903.248         |
| <b>Total</b> | <b>126.202.732</b> | <b>100.545.515</b> |

g) Domestic and foreign loans:

|                | Current period     | Prior period       |
|----------------|--------------------|--------------------|
| Domestic loans | 123.564.724        | 99.349.779         |
| Foreign loans  | 2.638.008          | 1.195.736          |
| <b>Total</b>   | <b>126.202.732</b> | <b>100.545.515</b> |

h) Loans granted to subsidiaries and associates:

None.

i) Specific provisions provided against loans:

|  | Current period   | Prior period     |
|--|------------------|------------------|
| Specific provisions                                |                  |                  |
| Loans and receivables with limited collectability  | 226.175          | 214.256          |
| Loans and receivables with doubtful collectability | 236.470          | 580.108          |
| Uncollectible loans and receivables                | 2.710.072        | 1.639.044        |
| <b>Total</b>                                       | <b>3.172.717</b> | <b>2.433.408</b> |

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(5) Information on loans: (continued)

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

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

|  | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period</b>                              | <b>39.536</b>  | <b>137.879</b>  | <b>204.800</b>                             |
| (Gross amounts before the specific provisions)     |  |   |  |
| Loans and other receivables which are restructured | -  | -   | -  |
| Rescheduled loans and other receivables            | 39.536   | 137.879   | 204.800                                    |
| <b>Prior period</b>                                | <b>45.487</b>  | <b>14.610</b>   | <b>42.346</b>                              |
| (Gross amounts before the specific provisions)     |  |   |  |
| Loans and other receivables which are restructured | -  | -   | -  |
| Rescheduled loans and other receivables            | 45.487   | 14.610  | 42.346                                     |

j.2. Information on the movement of non-performing loans:

|  | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| Prior period end balance                                     | 333.161  | 1.454.684   | 1.931.201                                  |
| Additions (+)  | 688.887  | 140.899   | 134.702                                    |
| Transfers from other categories of loans under follow-up (+) | -  | 490.029   | 1.753.040                                  |
| Transfers to other categories of loans under follow-up (-)   | 518.488  | 1.724.581   | -  |
| Collections (-)  | 137.008  | 76.002  | 280.988                                    |
| Write-offs (-)   | -  | -   | -  |
| <i>Corporate and Commercial Loans</i>                        | -  | -   | -  |
| <i>Consumer Loans</i>  | -  | -   | -  |
| <i>Credit Cards</i>  | -  | -   | -  |
| <i>Other</i>   | -  | -   | -  |
| <b>Current period end balance</b>                            | <b>366.552</b>   | <b>285.029</b>  | <b>3.537.955</b>                           |
| Specific provision (-)                                       | 226.175  | 236.470   | 2.710.072                                  |
| <b>Net balance on balance sheet</b>                          | <b>140.377</b>   | <b>48.559</b>   | <b>827.883</b>                             |

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(5) Information on loans: (continued)

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

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period</b>                   |  |   |  |
| Balance at the end of the period        | 61.214   | 85.054  | 1.552.061                                  |
| Specific provisions(-)                  | 28.646   | 73.308  | 995.276                                    |
| <b>Net balance in the balance sheet</b> | <b>32.568</b>  | <b>11.746</b>   | <b>556.785</b>                             |
| <b>Prior period</b>                     |  |   |  |
| Balance at the end of the period        | 17.479   | 1.240.601   | 185.683                                    |
| Specific provisions(-)                  | 11.698   | 432.404   | 123.135                                    |
| <b>Net balance in the balance sheet</b> | <b>5.781</b>   | <b>808.197</b>  | <b>62.548</b>                              |

Foreign currency non-performing loans amounting to TRY 215.798 and their related provisions amounting to TRY 144.832 of the consolidated foreign subsidiaries are recognized under foreign currency accounts and the foreign currency non-performing loans of the Parent Bank's and its domestic subsidiaries are recognized under Turkish Lira accounts.

j.4. Gross and net amounts of non-performing loans according to user groups:

|   | <b>III. Group</b>  | <b>IV. Group</b>  | <b>V. Group</b>                            |
|---|--|---|--|
|   | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current period (Net)</b>                                     |  |   |  |
| <b>Loans to granted real persons and legal entities (Gross)</b> | <b>140.377</b>   | <b>48.559</b>   | <b>827.883</b>                             |
| Loans to granted real persons and legal entities (Gross)        | 366.257  | 284.416   | 3.484.285                                  |
| Specific provisions (-)   | 225.880  | 235.857   | 2.656.402                                  |
| <b>Loans to granted real persons and legal entities (Net)</b>   | <b>140.377</b>   | <b>48.559</b>   | <b>827.883</b>                             |
| Banks (Gross)   | -  | -   | -  |
| Specific provisions (-)   | -  | -   | -  |
| <b>Banks (Net)</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |
| Other loans and receivables (Gross)                             | 295  | 613   | 53.670                                     |
| Specific provisions (-)   | 295  | 613   | 53.670                                     |
| <b>Other loans and receivables (Net)</b>                        | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |
| <b>Prior period (Net)</b>                                       |  |   |  |
| <b>Loans to granted real persons and legal entities (Gross)</b> | <b>118.905</b>   | <b>874.576</b>  | <b>292.157</b>                             |
| Loans to granted real persons and legal entities (Gross)        | 332.452  | 1.453.505   | 1.878.701                                  |
| Specific provisions (-)   | 213.547  | 578.929   | 1.586.544                                  |
| <b>Loans to granted real persons and legal entities (Net)</b>   | <b>118.905</b>   | <b>874.576</b>  | <b>292.157</b>                             |
| Banks (Gross)   | -  | -   | -  |
| Specific provisions (-)   | -  | -   | -  |
| <b>Banks (Net)</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |
| Other loans and receivables (Gross)                             | 709  | 1.179   | 52.500                                     |
| Specific provisions (-)   | 709  | 1.179   | 52.500                                     |
| <b>Other loans and receivables (Net)</b>                        | <b>-</b>   | <b>-</b>  | <b>-</b>                                   |

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(5) Information on loans: (continued)

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Parent Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the “Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up” non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

| <b>Current Period</b> | <b>Less than 30 days</b> | <b>Between 31-60 days</b> | <b>Between 61-90 days</b> | <b>Total</b>   |
|-----------------------|--------------------------|---------------------------|---------------------------|----------------|
| <b>Loans</b>          |                          |                           |                           |                |
| Corporate Loans       | 60.244                   | 6.553                     | 4.388                     | 71.185         |
| SME Loans             | 185.466                  | 41.183                    | 32.274                    | 258.923        |
| Consumer Loans        | 27.899                   | 9.775                     | 6.242                     | 43.916         |
| Credit cards          | 117.687                  | 19.847                    | 11.814                    | 149.348        |
| <b>Total</b>          | <b>391.296</b>           | <b>77.358</b>             | <b>54.718</b>             | <b>523.372</b> |

<sup>(\*)</sup> Relevant total installment and terms contained in credit and installment consumer loans and corporate loans are only given the amount overdue that are loan payments of undue principal amounts of institutional order: Corporate: 274.279 TL, SME: 1.771.260 TL and for individual: 701.126 TL.

| <b>Prior Period</b> | <b>Less than 30 days</b> | <b>Between 31-60 days</b> | <b>Between 61-90 days</b> | <b>Total</b>   |
|---------------------|--------------------------|---------------------------|---------------------------|----------------|
| <b>Loans</b>        |                          |                           |                           |                |
| Corporate Loans     | 12.886                   | 117                       | 3.851                     | 16.854         |
| SME Loans           | 106.913                  | 12.861                    | 16.175                    | 135.949        |
| Consumer Loans      | 39.439                   | 5.939                     | 4.810                     | 50.188         |
| Credit cards        | 133.991                  | 25.049                    | 15.141                    | 174.181        |
| <b>Total</b>        | <b>293.229</b>           | <b>43.966</b>             | <b>39.977</b>             | <b>377.172</b> |

<sup>(\*)</sup>Only the overdue loans those subject to outstanding principal payment amounting to TRY 516.905 are included.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

|   | Current period   |                | Prior period     |                |
|---|------------------|----------------|------------------|----------------|
|   | TRY              | FC             | TRY              | FC             |
| Treasury Bills                          | 17.430           | -              | 10.769           | -              |
| Government bonds and similar securities | 3.390.012        | 771.973        | 3.374.880        | 416.619        |
| <b>Total</b>                            | <b>3.407.442</b> | <b>771.973</b> | <b>3.385.649</b> | <b>416.619</b> |

a.2. Held-to-maturity investments subject to repurchase agreements:

|   | Current period   |                | Prior period     |                |
|---|------------------|----------------|------------------|----------------|
|   | TRY              | FC             | TRY              | FC             |
| Treasury bills, government bonds and similar securities | 6.504.701        | 534.883        | 6.744.155        | 248.221        |
| <b>Total</b>  | <b>6.504.701</b> | <b>534.883</b> | <b>6.744.155</b> | <b>248.221</b> |

b) Information on public sector debt investments held-to-maturity:

|                                     | Current period    | Prior period      |
|-------------------------------------|-------------------|-------------------|
| Government bonds                    | 16.705.087        | 17.790.143        |
| Treasury bills                      | 182.361           | 68.170            |
| Other public sector debt securities | -                 | -                 |
| <b>Total</b>                        | <b>16.887.448</b> | <b>17.858.313</b> |

c) Information on held-to-maturity investments:

|                                   | Current period    | Prior period      |
|-----------------------------------|-------------------|-------------------|
| Debt securities                   | 16.904.877        | 17.869.082        |
| <i>Quoted on a stock exchange</i> | 16.733.595        | 17.186.321        |
| <i>Not quoted</i>                 | 171.282           | 682.761           |
| Impairment provision (-)          | -                 | -                 |
| <b>Total</b>                      | <b>16.904.877</b> | <b>17.869.082</b> |

d) Movement of held-to-maturity investments within the year:

|   | Current period    | Prior period      |
|---|-------------------|-------------------|
| Beginning balance                                 | 17.869.082        | 18.973.598        |
| Foreign currency differences on monetary assets   | 389.988           | 94.395            |
| Purchases during the year <sup>(1)</sup>          | 2.250.175         | 4.234.250         |
| Disposals through sales and redemptions           | (3.604.368)       | (5.433.161)       |
| Impairment provision (-) / provision reversal (+) | -                 | -                 |
| <b>Balance at the of the period</b>               | <b>16.904.877</b> | <b>17.869.082</b> |

<sup>(1)</sup> Interest income accrual difference between 31 December 2015 amounting to TRY 1.684.621 and 31 December 2014 amounting to TRY 1.546.425 has been included in purchases row.

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(6) Information on held-to-maturity investments: (continued)

e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Group is as follows:

|   | Current period    |                  |                   |                  | Prior period      |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|   | Historical cost   |                  | Amortized cost    |                  | Historical cost   |                  | Amortized cost    |                  |
|   | TRY               | FC               | TRY               | FC               | TRY               | FC               | TRY               | FC               |
| Obtained from Under secretariat of Treasury of Republic of Turkey | 9.979.565         | 1.177.317        | 11.239.817        | 1.197.590        | 10.441.188        | 553.127          | 11.704.037        | 565.483          |
| Obtained with the transfer  | -                 | -                | -                 | -                | 600.000           | -                | 614.589           | -                |
| Reclassified from other securities portfolios                     | 3.151.239         | 720.407          | 3.551.231         | 733.878          | 3.731.605         | 928.818          | 3.974.219         | 942.584          |
| Other   | -                 | 170.983          | -                 | 182.361          | -                 | 68.041           | -                 | 68.170           |
| <b>Total</b>  | <b>13.130.804</b> | <b>2.068.707</b> | <b>14.791.048</b> | <b>2.113.829</b> | <b>14.772.793</b> | <b>1.549.986</b> | <b>16.292.845</b> | <b>1.576.237</b> |

(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

The non-financial investments in associates are accounted under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

| Description                      | Address<br>City/ Country) | Bank's share<br>percentage, if different-<br>voting percentage (%) | Bank's risk group<br>share percentage<br>(%) |
|----------------------------------|---------------------------|--|--|
| 1. Kredi Kayıt Bürosu AŞ         | İstanbul                  | 18,18  | 18,18  |
| 2. Bankalararası Kart Merkezi AŞ | İstanbul                  | 18,95  | 18,95  |

Information related to the associates as sorted above: <sup>(2)</sup>

|    | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit/loss | Prior period profit/loss | Fair value |
|----|--------------|----------------------|--------------------|-----------------|---|----------------------------|--------------------------|------------|
| 1. | 146.724      | 100.690              | 73.874             | 4.877           | -   | 33.299                     | 17.802                   | -          |
| 2. | 68.358       | 29.660               | 42.971             | 985             | -   | 3.869                      | 3.490                    | -          |

<sup>(1)</sup> No investment is listed on the stock exchange.

<sup>(2)</sup>The financial data of Kredi Kayıt Bürosu AŞ and Bankalar Arası Kart Merkezi AŞ is obtained from 31 December 2015 audited financial statements.



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

7) Information on associates (Net)(continued):

c) Information on consolidated associates:

| Description                                    | Address<br>City/ Country) | Bank's share<br>percentage, if different-<br>voting percentage (%) | Bank's risk<br>group share<br>percentage (%) |
|--|---------------------------|--|--|
| 1. Demirhalkbank NV                            | Holland                   | 30,00  | 30,00  |
| 2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ | Ankara                    | 31,47  | 33,12  |
| 3. Türk P ve I Sigorta AŞ                      | İstanbul                  | 16,67  | 16,67  |

Information related to the associates as sorted above: <sup>(1)</sup>

|    | Total assets | Shareholders' equity | Total fixed assets | Interest income | Income from marketable securities portfolio | Current period profit/loss | Prior period profit/loss | Fair value             |
|----|--------------|----------------------|--------------------|-----------------|---|----------------------------|--------------------------|------------------------|
| 1. | 5.987.184    | 745.560              | 28.516             | 142.231         | 11.788                                      | 34.505                     | 33.943                   | 208.237 <sup>(2)</sup> |
| 2. | 47.368       | 46.911               | 164                | 2.544           | -   | 698                        | 508                      | -                      |
| 3. | 10.773       | 3.789                | 531                | 332             | -   | (539)                      | -                        | -                      |

<sup>(1)</sup>The financial data is obtained from 31 December 2015 reviewed financial statements.

<sup>(2)</sup>The financial informations of Demir-Halkbank NV has been obtained from its independent audit report as of 31 December 2015.

d) Movement of associates:

|  | Current period | Prior period   |
|--|----------------|----------------|
| Balance at the beginning of the period                 | 226.118        | 227.051        |
| Movements during the period                            | 37.913         | (933)          |
| Purchases <sup>(1)</sup>                               | 1.245          | -              |
| Bonus shares obtained profit from current year's share | -              | -              |
| Dividends from current year income                     | -              | 10.343         |
| Sales  | -              | -              |
| Transfers  | -              | -              |
| Revaluation decrease (-) / increase                    | 36.668         | (11.276)       |
| Provision for impairment (-) / reversals (+)           | -              | -              |
| <b>Balance at the end of the period</b>                | <b>264.031</b> | <b>226.118</b> |

Capital commitments

-

-

Share percentage at the end of the period (%)

-

-

<sup>(1)</sup> In the current period, the insurance company located in Istanbul called "Türk P & I Insurance's" %16,67 shares have been bought out by the bank for 1.245TL

e) Sectoral information and related carrying amounts of associates:

|                             | Current period | Prior period |
|-----------------------------|----------------|--------------|
| Banks                       | 242.037        | 205.255      |
| Insurance companies         | 910            | -            |
| Factoring companies         | -              | -            |
| Leasing companies           | -              | -            |
| Financing companies         | -              | -            |
| Other financial investments | 14.763         | 14.544       |

f) Associates quoted to a stock exchange:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

|  | Halk Yatırım Menkul Değerler AŞ | Halk Sigorta AŞ | Halk Hayat ve Emeklilik AŞ | Halk Gayrimenkul Yatırım Ortaklığı AŞ | Halk Finansal Kiralama AŞ | Halk Portföy Yönetimi AŞ | Halk Banka AD, Skopje | Halk Faktoring AŞ | Halbank A.D. Beograd |
|--|---------------------------------|-----------------|----------------------------|---------------------------------------|---------------------------|--------------------------|-----------------------|-------------------|----------------------|
| <b>CORE CAPITAL</b>  |                                 |                 |                            |                                       |                           |                          |                       |                   |                      |
| Paid in Capital  | 82.000                          | 94.000          | 183.000                    | 743.000                               | 272.250                   | 8.000                    | 109.685               | 46.500            | 53.667               |
| Effect of Inflation Adjustment on Paid in Capital  | -                               | -               | -                          | -                                     | -                         | -                        | -                     | -                 | -                    |
| Share Premiums   | -                               | -               | -                          | 49.945                                | -                         | -                        | 11.633                | -                 | 44.552               |
| Share cancellation profits   | -                               | -               | -                          | (20.947)                              | -                         | -                        | -                     | -                 | -                    |
| Reserves   | 9.517                           | 44.572          | 30.859                     | 50.023                                | 8.429                     | 412                      | 50.288                | 1.216             | 45.055               |
| Other Comprehensive Income according to TAS  | (290)                           | (323)           | (9.843)                    | 3                                     | (98)                      | (22)                     | 370                   | -                 | 7.278                |
| Profit / Loss  | <b>10.293</b>                   | <b>(19.982)</b> | <b>120.385</b>             | <b>57.425</b>                         | <b>24.478</b>             | <b>4.781</b>             | <b>37.355</b>         | <b>10.214</b>     | <b>(3.292)</b>       |
| <i>Net Profit</i>  | 10.876                          | (24.978)        | 109.758                    | 58.360                                | 6.992                     | 4.530                    | 19.196                | 8.586             | (3.292)              |
| <i>Prior Period Profit/Loss</i>  | (583)                           | 4.996           | 10.627                     | (935)                                 | 17.486                    | 251                      | 18.159                | 1.628             | -                    |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | -                               | -               | -                          | -                                     | -                         | -                        | -                     | -                 | -                    |
| Minority shares  | -                               | -               | -                          | -                                     | -                         | -                        | -                     | -                 | -                    |
| Leasehold Improvements (-)   | -                               | -               | 208                        | -                                     | -                         | -                        | 3.240                 | 297               | -                    |
| Intangible Assets (-)  | 1.153                           | 3.624           | 1.296                      | 530                                   | 743                       | 27                       | 1.870                 | 224               | 715                  |
| <b>Total Core Capital</b>  | <b>100.367</b>                  | <b>114.643</b>  | <b>322.897</b>             | <b>878.919</b>                        | <b>304.316</b>            | <b>13.144</b>            | <b>204.221</b>        | <b>57.409</b>     | <b>146.545</b>       |
| <b>SUPPLEMENTARY CAPITAL</b>   | -                               | -               | -                          | -                                     | -                         | -                        | <b>12.328</b>         | -                 | <b>3.124</b>         |
| <b>CAPITAL</b>   | <b>100.367</b>                  | <b>114.643</b>  | <b>322.897</b>             | <b>878.919</b>                        | <b>304.316</b>            | <b>13.144</b>            | <b>216.549</b>        | <b>57.409</b>     | <b>149.669</b>       |
| <b>NET AVAILABLE CAPITAL</b>   | <b>100.367</b>                  | <b>114.643</b>  | <b>322.897</b>             | <b>878.919</b>                        | <b>304.316</b>            | <b>13.144</b>            | <b>216.549</b>        | <b>57.409</b>     | <b>149.669</b>       |

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital (domestic) has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

b) Unconsolidated subsidiaries, reasons for not consolidating and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(8) Information on subsidiaries (continued)

c) Information on unconsolidated subsidiaries:

|    | Description                     | Address<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) |
|----|---------------------------------|----------------------------|--|
| 1. | Bileşim Alternatif Dağ. Kan. AŞ | İstanbul                   | 100,00   |

|    | Total assets | Shareholders'<br>equity | Total fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit / loss | Prior<br>period<br>profit / loss | Fair<br>value <sup>(2)</sup> |
|----|--------------|-------------------------|-----------------------|--------------------|--|------------------------------------|----------------------------------|------------------------------|
| 1. | 31.955       | 20.248                  | 3.593                 | 507                | 1.133  | 1.467                              | 2.248                            | 38.029                       |

<sup>(1)</sup> The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 December 2015 unaudited financial statements.

<sup>(2)</sup> The information is presented from valuation report as 31 December 2015.

d) Information on consolidated subsidiaries: (Net):

| Description                              | Address<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk group<br>share percentage<br>(%) |
|--|----------------------------|--|--|
| 1. Halk Yatırım Menkul Değerler AŞ       | İstanbul                   | 99,96  | 99,96  |
| 2. Halk Sigorta AŞ                       | İstanbul                   | 89,18  | 93,59  |
| 3. Halk Hayat ve Emeklilik AŞ            | İstanbul                   | 100,00   | 100,00                                       |
| 4. Halk Gayrimenkul Yatırım Ortaklığı AŞ | İstanbul                   | 79,03  | 79,06  |
| 5. Halk Finansal Kiralama AŞ             | İstanbul                   | 100,00   | 100,00                                       |
| 6. Halk Portföy Yönetimi AŞ              | İstanbul                   | 75,00  | 99,99  |
| 7. Halk Banka AD, Skopje                 | Macedonia                  | 98,78  | 98,78  |
| 8. Halk Faktoring AŞ                     | İstanbul                   | 97,50  | 99,99  |
| 9. Halk Banka A.D. Beograd               | Serbia                     | 82,47  | 82,47  |

e) Information related to the subsidiaries as sorted above<sup>(1)</sup>:

|    | Total assets | Shareholders'<br>equity | Total<br>fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit / loss | Prior<br>period<br>profit / loss | Fair<br>value <sup>(2)</sup> |
|----|--------------|-------------------------|--------------------------|--------------------|--|------------------------------------|----------------------------------|------------------------------|
| 1. | 175.857      | 100.367                 | 1.926                    | 22.851             | 2.174  | 10.876                             | 18.122                           | 132.810                      |
| 2. | 827.730      | 114.643                 | 6.095                    | 48.859             | 2.994  | (24.978)                           | 50.962                           | 346.980 <sup>(4)</sup>       |
| 3. | 679.709      | 322.897                 | 2.506                    | 60.043             | 22.353   | 109.758                            | 90.304                           | 850.105                      |
| 4. | 974.716      | 878.919                 | 672.935                  | 1.568              | 998  | 58.360                             | 61.347                           | 550.804 <sup>(3)</sup>       |
| 5. | 2.395.200    | 304.316                 | 1.081                    | 140.227            | -  | 6.992                              | 5.142                            | 413.336                      |
| 6. | 14.264       | 13.144                  | 351                      | 1.125              | 8  | 4.530                              | 2.328                            | 16.466                       |
| 7. | 1.491.204    | 216.549                 | 37.177                   | 70.471             | 6.091  | 19.196                             | 12.045                           | 210.180                      |
| 8. | 493.914      | 57.409                  | 1.104                    | 60.554             | -  | 8.586                              | 8.585                            | 61.758                       |
| 9. | 815.866      | 149.669                 | 16.718                   | 40.419             | 1.460  | (3.292)                            | -                                | 65.466                       |

<sup>(1)</sup> The information is presented from financial statements subject to consolidation as 31 December 2015.

<sup>(2)</sup> The information is presented from valuation reports as 31 December 2015. Halk Gayrimenkul Yatırım Ortaklığı AŞ has been evaluated by using quoted prices.

<sup>(3)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

<sup>(4)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(8) Information on subsidiaries (continued)

f) Movement of the subsidiaries:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Balance at the beginning of the period(before elimination)    | 2.576.816             | 2.334.263           |
| Movements during the period                                   | 109.118               | 242.553             |
| <i>Purchases<sup>(1)</sup></i>                                | 28.907                | 44.296              |
| <i>Bonus shares obtained profit from current year's share</i> | 61.035                | 140.007             |
| <i>Dividends from current year income</i>                     | -                     | -                   |
| <i>Sales</i>  | -                     | -                   |
| <i>Transfer</i>   | -                     | -                   |
| <i>Revaluation increase</i>                                   | 19.176                | 58.250              |
| <i>Reversal of provision for impairment (-)</i>               | -                     | -                   |
| Share capital elimination of subsidiaries                     | (2.647.905)           | (2.538.957)         |
| <b>Balance at the end of the period</b>                       | <b>38.029</b>         | <b>37.859</b>       |
| Capital commitments   | -                     | -                   |
| Share percentage at the end of the period (%)                 | -                     | -                   |

<sup>(1)</sup> Purchase includes purchases of 76,76% share of Halkbank AD, Beograd amounting to TRY 28.907. In the current period The Bank paid TRY 30.704 to Halkbank AD, Beograd and increased its shares to 82,47.

g) Sectoral information on subsidiaries and the related carrying amounts:

|                              | <b>Current period</b> | <b>Prior period</b> |
|------------------------------|-----------------------|---------------------|
| Banks                        | 275.646               | 145.359             |
| Insurance companies          | 1.197.085             | 1.171.567           |
| Factoring companies          | 61.758                | 58.123              |
| Leasing companies            | 413.336               | 409.660             |
| Financing companies          | -                     | -                   |
| Other financial subsidiaries | 700.080               | 754.248             |

h) Acquisition of subsidiaries:

*Halkbank A.D. Beograd*

On 28 May 2015, the Group obtained the control of Halk Bank AD, Beograd by acquiring 76,76% of the shares and voting interests in the company in cash amounting to TL 28.907. Taking control of Halkbank AD, Beograd. will enable the Group to operate in Republic of Serbia.

Pre-acquisition carrying amounts of Halk Bank AD, Skopje were determined based on the applicable IFRSs at acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In accordance with IFRS 3 "Business Combinations", the measurement period shall not exceed one year from the acquisition date and the provisional amounts recognised in the acquisition date should be corrected.

i) Subsidiaries quoted in the stock exchange:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Quoted to domestic stock <sup>(1) (2)</sup> | 897.784               | 952.993             |
| Quoted foreign stock exchange               | -                     | -                   |

<sup>(1)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

<sup>(2)</sup> Halk Gayrimenkul Yatırım Ortaklığı AŞ has been public offering on 22 February 2013 and its shares are traded on the Istanbul Stock Exchange A.Ş.

(9) Information on jointly controlled entities (joint ventures):

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(10) Information on finance lease receivables (Net):

a) Maturity structure of investments on financial lease:

|                   | Current period   |                  | Prior period     |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | Gross            | Net              | Gross            | Net              |
| Less than 1 year  | 779.458          | 640.029          | 646.374          | 523.211          |
| Between 1-4 years | 1.342.529        | 1.191.590        | 1.189.060        | 1.028.472        |
| More than 4 years | 429.573          | 373.133          | 362.702          | 350.853          |
| <b>Total</b>      | <b>2.551.560</b> | <b>2.204.752</b> | <b>2.198.136</b> | <b>1.902.536</b> |

b) Information on gross investments of financial lease:

|  | Current period   | Prior period     |
|--|------------------|------------------|
| Gross financial lease investment       | 2.551.560        | 2.198.136        |
| Unearned revenues from financial lease | 346.808          | (295.600)        |
| <b>Total</b>                           | <b>2.204.752</b> | <b>1.902.536</b> |

c) Information on receivables from non- performing loans of financial lease:

|  | Current period | Prior period   |
|--|----------------|----------------|
| Financial lease receivables with limited collectability  | 1.419          | 5.401          |
| Financial lease receivables with doubtful collectability | 118.335        | 65.237         |
| Uncollectible financial lease receivables                | 237.783        | 151.128        |
| Specific provisions                                      | (163.884)      | (115.704)      |
| <b>Total</b>   | <b>193.653</b> | <b>106.062</b> |

(11) Information on derivative financial assets for hedging purposes:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(12) Information on tangible assets:

| <b>Current Period</b>                             | <b>Balance at the end of the prior period</b> | <b>Additions</b> | <b>Revaluation Increase</b> | <b>Disposals(-)</b> | <b>Transfers</b> | <b>Balance at the end of the period</b> |
|---|---|------------------|-----------------------------|---------------------|------------------|---|
| <b>Cost:</b>                                      |   |                  |                             |                     |                  |   |
| Immovables  | 1.130.977                                     | 98.267           | 2.224.434                   | 256.452             | (765.396)        | 2.431.830                               |
| Tangible assets purchased through financial lease | 30.787  | 335              | -                           | 3.381               | -                | 27.741                                  |
| Office machines                                   | 374.276                                       | 120.831          | -                           | 32.035              | -                | 463.072                                 |
| Fixed assets obtained due to non-performing loans | 508.102                                       | 1.997.997        | -                           | 1.935.495           | -                | 570.604                                 |
| Lease hold improvements costs                     | 146.739                                       | 69.560           | -                           | 72.879              | -                | 143.420                                 |
| Other   | 283.499                                       | 33.332           | -                           | 5.614               | (1.987)          | 309.230                                 |
| <b>Total Cost</b>                                 | <b>2.474.380</b>                              | <b>2.320.322</b> | <b>2.224.434</b>            | <b>2.305.856</b>    | <b>(767.383)</b> | <b>3.945.897</b>                        |
| <b>Accumulated depreciation(-)</b>                |   |                  |                             |                     |                  |   |
| Immovables  | 252.941                                       | 24.466           | 160.308                     | 117.948             | (125.276)        | 194.491                                 |
| Tangible assets purchased through financial lease | 29.099  | 669              | -                           | 3.356               | -                | 26.412                                  |
| Office machines                                   | 196.901                                       | 72.709           | -                           | 12.349              | -                | 257.261                                 |
| Fixed assets obtained due to non-performing loans | 10.676  | 4.678            | -                           | 2.101               | -                | 13.253                                  |
| Lease hold improvements costs                     | 79.090  | 28.114           | -                           | 34.778              | -                | 72.426                                  |
| Other   | 213.512                                       | 19.846           | -                           | 4.118               | -                | 229.240                                 |
| <b>Total accumulated depreciation</b>             | <b>782.219</b>                                | <b>150.482</b>   | <b>160.308</b>              | <b>174.650</b>      | <b>(125.276)</b> | <b>793.083</b>                          |
| <b>Provision for impairment (-)</b>               |   |                  |                             |                     |                  |   |
| Immovables  | 1.855   | -                | -                           | 591                 | 49               | 1.313                                   |
| Fixed assets obtained due to non-performing loans | 6.391   | 1.872            | -                           | 1.129               | -                | 7.134                                   |
| <b>Total provision for impairment (-)</b>         | <b>8.246</b>                                  | <b>1.872</b>     | <b>-</b>                    | <b>1.720</b>        | <b>49</b>        | <b>8.447</b>                            |
| <b>Net Book Value</b>                             | <b>1.683.915</b>                              | <b>2.167.968</b> | <b>2.064.126</b>            | <b>2.129.486</b>    | <b>(642.156)</b> | <b>3.144.367</b>                        |

**Fair Value Measurement**

The fair value of the lands and buildings which are held for use are determined with equivalence value. And that measurement is classified as Level 2.

| <b>Prior Period</b>                               | <b>Balance at the end of the prior period</b> | <b>Additions</b> | <b>Disposals(-)</b> | <b>Transfers</b> | <b>Balance at the end of the period</b> |
|---|---|------------------|---------------------|------------------|---|
| <b>Cost:</b>                                      |   |                  |                     |                  |   |
| Immovables  | 1.026.315                                     | 116.882          | 4.087               | (8.133)          | 1.130.977                               |
| Tangible assets purchased through financial lease | 32.253  | 176              | 1.642               | -                | 30.787                                  |
| Office machines                                   | 324.869                                       | 65.092           | 15.685              | -                | 374.276                                 |
| Fixed assets obtained due to non-performing loans | 380.820                                       | 249.123          | 121.736             | (105)            | 508.102                                 |
| Lease hold improvements costs                     | 146.831                                       | 31.673           | 31.880              | 115              | 146.739                                 |
| Other   | 283.334                                       | 12.537           | 12.372              | -                | 283.499                                 |
| <b>Total Cost</b>                                 | <b>2.194.422</b>                              | <b>475.483</b>   | <b>187.402</b>      | <b>(8.123)</b>   | <b>2.474.380</b>                        |
| <b>Accumulated depreciation(-)</b>                |   |                  |                     |                  |   |
| Immovables  | 241.746                                       | 14.305           | 793                 | (2.317)          | 252.941                                 |
| Tangible assets purchased through financial lease | 30.047  | 681              | 1.629               | -                | 29.099                                  |
| Office machines                                   | 159.743                                       | 47.927           | 10.769              | -                | 196.901                                 |
| Fixed assets obtained due to non-performing loans | 8.685   | 4.158            | 2.164               | (3)              | 10.676                                  |
| Lease hold improvements costs                     | 75.798  | 34.251           | 30.959              | -                | 79.090                                  |
| Other   | 204.801                                       | 16.149           | 7.438               | -                | 213.512                                 |
| <b>Total accumulated depreciation</b>             | <b>720.820</b>                                | <b>117.471</b>   | <b>53.752</b>       | <b>(2.320)</b>   | <b>782.219</b>                          |
| <b>Provision for impairment (-)</b>               |   |                  |                     |                  |   |
| Immovables  | 5.616   | -                | 3.796               | 35               | 1.855                                   |
| Fixed assets obtained due to non-performing loans | 4.684   | 2.037            | 330                 | -                | 6.391                                   |
| <b>Total provision for impairment (-)</b>         | <b>10.300</b>                                 | <b>2.037</b>     | <b>4.126</b>        | <b>35</b>        | <b>8.246</b>                            |
| <b>Net Book Value</b>                             | <b>1.463.302</b>                              | <b>355.975</b>   | <b>129.524</b>      | <b>(5.838)</b>   | <b>1.683.915</b>                        |

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(13) Information on intangible assets:

| <b>Current Period</b>                    | <b>Balance at the end of the prior period</b> | <b>Additions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at the end of the period</b> |
|--|---|------------------|------------------|------------------|---|
| <b>Cost:</b>                             |   |                  |                  |                  |   |
| Other intangible assets                  | 112.581                                       | 55.777           | 10.896           | -                | 157.462                                 |
| <b>Total Cost</b>                        | <b>112.581</b>                                | <b>55.777</b>    | <b>10.896</b>    | <b>-</b>         | <b>157.462</b>                          |
| <b>Accumulated Depreciation(-)</b>       |   |                  |                  |                  |   |
| Other intangible assets                  | 29.980  | 25.521           | 353              | -                | 55.148                                  |
| <b>Total Accumulated Depreciation(-)</b> | <b>29.980</b>                                 | <b>25.521</b>    | <b>353</b>       | <b>-</b>         | <b>55.148</b>                           |
| <b>Net Book Value</b>                    | <b>82.601</b>                                 | <b>30.256</b>    | <b>10.543</b>    | <b>-</b>         | <b>102.314</b>                          |
| <b>Prior Period</b>                      |   |                  |                  |                  |   |
| <b>Prior Period</b>                      | <b>Balance at the end of the prior period</b> | <b>Additions</b> | <b>Disposals</b> | <b>Transfers</b> | <b>Balance at the end of the period</b> |
| <b>Cost:</b>                             |   |                  |                  |                  |   |
| Other intangible assets                  | 86.107  | 21.069           | 2.484            | -                | 112.581                                 |
| <b>Total Cost</b>                        | <b>86.107</b>                                 | <b>21.069</b>    | <b>2.484</b>     | <b>-</b>         | <b>112.581</b>                          |
| <b>Accumulated Depreciation(-)</b>       |   |                  |                  |                  |   |
| Other intangible assets                  | 19.068  | 7.567            | 14               | -                | 29.980                                  |
| <b>Total Accumulated Depreciation(-)</b> | <b>19.068</b>                                 | <b>7.567</b>     | <b>14</b>        | <b>-</b>         | <b>29.980</b>                           |
| <b>Net Book Value</b>                    | <b>67.039</b>                                 | <b>13.502</b>    | <b>2.470</b>     | <b>-</b>         | <b>82.601</b>                           |

(14) Information on investment property:

|                                    | <b>Current Period</b> | <b>Prior Period</b> |
|------------------------------------|-----------------------|---------------------|
| <b>Cost</b>                        |                       |                     |
| <b>Opening Balance</b>             | <b>24.686</b>         | <b>36.344</b>       |
| Acquisitions                       | 2.289                 | -                   |
| Transfer                           | 523.471               | (11.658)            |
| Disposals                          | -                     | -                   |
| Impairment Charge/Cancellation(-)  | 353                   | -                   |
| <b>Ending Balance</b>              | <b>550.093</b>        | <b>24.686</b>       |
| <b>Accumulated Depreciation</b>    |                       |                     |
| <b>Opening Balance</b>             | <b>157</b>            | <b>157</b>          |
| Amortization Charge (-)            | 721                   | -                   |
| Disposals                          | 96                    | -                   |
| Transfer                           | 63.525                | -                   |
| Impairment Charge/Cancellation (-) | <b>64.499</b>         | <b>157</b>          |
| <b>Ending Balance</b>              |                       |                     |
| <b>Net Book Value</b>              | <b>485.594</b>        | <b>24.529</b>       |

(\*) As of December 2015 The Bank's former headquarters building in Ankara that had been evacuated depending upon the personnel moving to Istanbul; has been leased and classified as investment .

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS (continued)**

(15) Information on tax assets:

a) Current tax assets:

As of 31 December 2015, the Group's current tax asset is TRY 1.217 (31 December 2014: None).

b) Deferred tax assets:

Please refer to Section 5, explanations related to the liabilities footnote (10).

(16) Information on tax assets:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Cost  | 4.460                 | 11.072              |
| Accumulated Depreciation (-) <sup>(1)</sup> | (1.766)               | (2.296)             |
| <b>Net Book Value</b>                       | <b>2.694</b>          | <b>8.776</b>        |
| <b>Opening Balance</b>                      | <b>8.776</b>          | <b>6.971</b>        |
| Acquisitions (Transfers) (Net)              | 167                   | 8.639               |
| Disposals (Net)                             | (8.485)               | (5.741)             |
| Impairment Charge/Cancellation(-)           | 49                    | 10                  |
| Amortization Charge(-) <sup>(1)</sup>       | 2.187                 | (1.103)             |
| <b>Net Book Value</b>                       | <b>2.694</b>          | <b>8.776</b>        |

<sup>(1)</sup> The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.050.762 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.502.478).



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES**

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

|                               | Demand            | 7 day call accounts | Up to 1 month     | 1-3 months        | 3-6 months       | 6 months year    | 1 year and over  | Cumulative deposits | Total              |
|-------------------------------|-------------------|---------------------|-------------------|-------------------|------------------|------------------|------------------|---------------------|--------------------|
| Saving deposits               | 4.293.350         | -                   | 474.007           | 28.297.921        | 1.096.767        | 366.364          | 581.833          | 103.000             | 35.213.242         |
| Foreign currency deposits     | 6.205.436         | 34.348              | 3.395.518         | 18.689.673        | 2.669.844        | 1.172.686        | 3.463.561        | 10.680              | 35.641.746         |
| <i>Residents in Turkey</i>    | 4.614.977         | -                   | 3.248.873         | 18.013.646        | 2.459.778        | 709.667          | 2.100.420        | 10.508              | 31.157.869         |
| <i>Residents abroad</i>       | 1.590.459         | 34.348              | 146.645           | 676.027           | 210.066          | 463.019          | 1.363.141        | 172                 | 4.483.877          |
| Public sector deposits        | 2.446.626         | -                   | 3.016.281         | 2.937.312         | 272.240          | 1.773.372        | 90.299           | -                   | 10.536.130         |
| Commercial inst. deposits     | 3.212.174         | -                   | 3.081.974         | 15.644.561        | 816.279          | 33.215           | 28.447           | -                   | 22.816.650         |
| Other inst. deposits          | 557.371           | -                   | 644.038           | 1.468.290         | 8.244            | 38.413           | 4.407            | -                   | 2.720.763          |
| Precious metals               | 885.003           | -                   | -                 | -                 | -                | -                | -                | -                   | 885.003            |
| Interbank deposits            | 3.328.873         | -                   | 5.527.445         | 4.567.731         | 333.396          | -                | 933.405          | -                   | 14.690.850         |
| <i>Central Bank of Turkey</i> | -                 | -                   | -                 | -                 | -                | -                | -                | -                   | -                  |
| <i>Domestic banks</i>         | 12.428            | -                   | 5.296.445         | 2.767.451         | 288.091          | -                | -                | -                   | 8.364.415          |
| <i>Foreign banks</i>          | 2.366.254         | -                   | 231.000           | 1.800.280         | 45.305           | -                | 933.405          | -                   | 5.376.244          |
| <i>Participation banks</i>    | 950.191           | -                   | -                 | -                 | -                | -                | -                | -                   | 950.191            |
| <b>Total</b>                  | <b>20.928.833</b> | <b>34.348</b>       | <b>16.139.263</b> | <b>71.605.488</b> | <b>5.196.770</b> | <b>3.384.050</b> | <b>5.101.952</b> | <b>113.680</b>      | <b>122.504.384</b> |

a.2. Prior period:

|                               | Demand            | 7 day call accounts | Up to 1 month     | 1-3 months        | 3-6 months       | 6 months year    | 1 year and over  | Cumulative deposits | Total              |
|-------------------------------|-------------------|---------------------|-------------------|-------------------|------------------|------------------|------------------|---------------------|--------------------|
| Saving deposits               | 3.931.504         | -                   | 391.405           | 23.615.774        | 1.337.988        | 399.488          | 580.948          | 106.619             | 30.363.726         |
| Foreign currency deposits     | 4.622.648         | -                   | 2.099.744         | 11.578.260        | 2.704.533        | 1.255.831        | 3.015.945        | 11.191              | 25.288.152         |
| <i>Residents in Turkey</i>    | 3.411.659         | -                   | 1.873.877         | 11.071.849        | 2.590.260        | 940.166          | 2.069.198        | 11.063              | 21.968.072         |
| <i>Residents abroad</i>       | 1.210.989         | -                   | 225.867           | 506.411           | 114.273          | 315.665          | 946.747          | 128                 | 3.320.080          |
| Public sector deposits        | 2.386.024         | -                   | 1.493.653         | 2.559.538         | 272.145          | 2.244.198        | 4.347            | -                   | 8.959.905          |
| Commercial inst. Deposits     | 3.160.176         | -                   | 3.057.548         | 10.714.137        | 527.657          | 214.262          | 37.353           | -                   | 17.711.133         |
| Other inst. Deposits          | 614.611           | -                   | 76.643            | 1.220.875         | 49.041           | 543.638          | 135.112          | -                   | 2.639.920          |
| Precious metals               | 1.508.769         | -                   | -                 | -                 | -                | -                | -                | -                   | 1.508.769          |
| Interbank deposits            | 5.414.668         | -                   | 5.706.230         | 4.390.775         | 1.522.737        | 23.740           | 124.395          | -                   | 17.182.545         |
| <i>Central Bank of Turkey</i> | 8                 | -                   | -                 | -                 | -                | -                | -                | -                   | 8                  |
| <i>Domestic banks</i>         | 14.862            | -                   | 5.454.488         | 1.113.546         | 361.532          | 19.106           | 4.304            | -                   | 6.967.838          |
| <i>Foreign banks</i>          | 4.679.639         | -                   | 251.742           | 3.277.229         | 1.161.205        | 4.634            | 120.091          | -                   | 9.494.540          |
| <i>Participation banks</i>    | 720.159           | -                   | -                 | -                 | -                | -                | -                | -                   | 720.159            |
| <b>Total</b>                  | <b>21.638.400</b> | <b>-</b>            | <b>12.825.223</b> | <b>54.079.359</b> | <b>6.414.101</b> | <b>4.681.157</b> | <b>3.898.100</b> | <b>117.810</b>      | <b>103.654.150</b> |

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(1) Information on maturity structure of deposits: (continued)

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

| Saving deposits  | Under the guarantee insurance |              | Exceeding the insurance limit |              |
|--|-------------------------------|--------------|-------------------------------|--------------|
|  | Current period                | Prior period | Current period                | Prior period |
| Saving deposits  | 20.718.253                    | 19.038.326   | 14.405.969                    | 11.249.274   |
| Foreign currency saving deposits   | 6.632.903                     | 6.234.492    | 11.027.597                    | 8.181.125    |
| Other deposits in the form of saving deposits                            | -                             | -            | -                             | -            |
| Foreign branches' deposits under foreign authorities' insurance          | 129.662                       | 92.647       | -                             | -            |
| Off-shore banking regions' deposits under foreign authorities' insurance | -                             | -            | -                             | -            |

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

|   | Current period | Prior period |
|---|----------------|--------------|
| Foreign branches' saving deposits and other accounts  | 177.772        | 120.160      |
| Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody  | -              | -            |
| Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody | 9.720          | 5.406        |
| Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004   | -              | -            |
| Deposits in the banks to be engaged exclusively in offshore banking in Turkey   | -              | -            |

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(2) Information on derivative financial liabilities held for trading:

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

|                      | Current period |                | Prior period |                |
|----------------------|----------------|----------------|--------------|----------------|
|                      | TRY            | FC             | TRY          | FC             |
| Forward transactions | -              | 84.160         | -            | 48.231         |
| Swap transactions    | 1.416          | 89.725         | -            | 135.720        |
| Future transactions  | -              | -              | -            | -              |
| Options              | 18             | 354            | 15           | 763            |
| Other                | -              | -              | -            | -              |
| <b>Total</b>         | <b>1.434</b>   | <b>174.239</b> | <b>15</b>    | <b>184.714</b> |

(3) a) Information on funds borrowed:

|  | Current period   |                   | Prior period     |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | TRY              | FC                | TRY              | FC                |
| Funds borrowed from Central Bank of Turkey | -                | -                 | -                | -                 |
| Domestic banks and institutions            | 757.763          | 1.123.810         | 703.890          | 314.058           |
| Foreign banks, institutions and funds      | 556.756          | 19.705.408        | 639.700          | 12.524.126        |
| <b>Total</b>                               | <b>1.314.519</b> | <b>20.829.218</b> | <b>1.343.590</b> | <b>12.838.184</b> |

b) Maturity structure of funds borrowed:

|                      | Current period   |                   | Prior period     |                   |
|----------------------|------------------|-------------------|------------------|-------------------|
|                      | TRY              | FC                | TRY              | FC                |
| Short-term           | 851.253          | 7.965.899         | 685.036          | 7.186.701         |
| Medium and long-term | 463.266          | 12.863.319        | 658.554          | 5.651.483         |
| <b>Total</b>         | <b>1.314.519</b> | <b>20.829.218</b> | <b>1.343.590</b> | <b>12.838.184</b> |

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposit, which is composed of 29 % of saving deposits and 29 % of foreign currency" deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 49% of banks deposits and 34% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

|   | Current period   |                | Prior period     |                |
|---|------------------|----------------|------------------|----------------|
|   | TRY              | FC             | TRY              | FC             |
| <b>From domestic transactions</b>           | <b>7.499.973</b> | -              | <b>8.190.406</b> | -              |
| <i>Financial inst. and organizations</i>    | 7.434.203        | -              | 8.111.292        | -              |
| <i>Other institutions and organizations</i> | 29.509           | -              | 39.752           | -              |
| <i>Real persons</i>                         | 36.261           | -              | 39.362           | -              |
| <b>From overseas transactions</b>           | <b>100.299</b>   | <b>726.001</b> | <b>305</b>       | <b>231.074</b> |
| <i>Financial inst. and organizations</i>    | -                | 726.001        | -                | 231.074        |
| <i>Other institutions and organizations</i> | 100.069          | -              | -                | -              |
| <i>Real persons</i>                         | 230              | -              | 305              | -              |
| Accruals                                    | 7.191            | 2.498          | 5.435            | 134            |
| <b>Total</b>                                | <b>7.607.463</b> | <b>728.499</b> | <b>8.196.146</b> | <b>231.208</b> |

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(4) Marketable securities issued:

|                               | Current period   |                  | Prior period     |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | TRY              | FC               | TRY              | FC               |
| Treasury Bills <sup>(1)</sup> | 1.500.713        | -                | 1.441.777        | -                |
| Bonds <sup>(2)</sup>          | -                | 7.339.847        | -                | 4.649.617        |
| <b>Total</b>                  | <b>1.500.713</b> | <b>7.339.847</b> | <b>1.441.777</b> | <b>4.649.617</b> |

<sup>(1)</sup> As of 27 November 2015, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Parent Bank. Also, as of 11 September 2015, the Parent Bank issued treasury bills amounting to TRY 750.000 with maturity of 175 days.

<sup>(2)</sup> As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750.000 with maturity of 7 years and as of 4 June, 2014 the bonds amounting to USD 500.000 with maturity of 5 years and 11 February 2015 the bonds amounting to USD 500.000 with maturity of 5 years are issued by the Parent Bank.

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

|  | Current period |           | Prior Period |           |
|--|----------------|-----------|--------------|-----------|
|  | Short-term     | Long-term | Short-term   | Long-term |
|  | 29.572         | 1.934.127 | 19.404       | 1.749.887 |

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.693.952 and does not exceed 10% of the balance sheet total (31 December 2014: TRY 1.438.049).

(7) Information on finance lease payables (Net):

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Information on general provisions:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| <b>General provision</b>  | <b>1.139.290</b>      | <b>1.277.829</b>    |
| Provisions for first group loans and receivables                      | 920.263               | 1.141.397           |
| <i>Additional provisions for the loans with extended payment plan</i> | <i>33.186</i>         | <i>18.719</i>       |
| Provisions for second group loans and receivables                     | 113.212               | 48.680              |
| <i>Additional provisions for the loans with extended payment plan</i> | <i>66.843</i>         | <i>22.942</i>       |
| Provisions for non cash loans   | 105.815               | 87.752              |
| Other   | -                     | -                   |

Due to fact that the ratio of consumer loans to total loans has been below 25% as of the balance sheet date, 1% and 2% rate of general allowances for cumulative balance as from current period has begun to be allocated instead of 4% and 8% rate of general allowances for all consumer loans. In the consequence of the change mentioned, general allowances in the amount of 430.333 TRY were reversed in the current period. The amount regarding was recognized under “Adjustments for Prior Period Expenses” in Other Operating Income” account.

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2015 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 7.222 (31 December 2014: TRY 2.977).

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2015, the Parent Bank's specific provision for unindemnified non-cash loans balance is TRY 93.877 (31 December 2014: TRY 94.271).

d) Information on other provisions:

Total other provision balance amounting to TRY 402.368 (31 December 2014: TRY 252.183) consists of 93.877 (31 December 2014: TRY 94.271) for specific provisions for unindemnified non cash loans, TRY 37.481 (31 December 2014: TRY 85.109) for legal cases filed against the Bank, TRY 147.510 (31 December 2014: TRY 72.803) of other provisions.

The Parent Bank provided a general provision amounting to TRY 123.500, all of which was recognised as an expense in the current period for the possible result of the negative circumstances which may arise from any change in economy or market conditions (31 December 2014: None). The amount was presented under “provision expenses for possible losses” in impairment losses on loans and other receivables account.

e) Movement of employee termination benefits:

The Parent Bank's severance indemnity provision is calculated by an independent company by using the severance indemnity provision as of 31 December 2014 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

|                                 | <b>Current period</b> | <b>Prior period</b> |
|---------------------------------|-----------------------|---------------------|
| Inflation Rate                  | 7,75%                 | 6,00%               |
| Discount Rate                   | 10,75%                | 8,60%               |
| Estimated Real Wage Growth Rate | 7,95%                 | 6,20%               |

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(9) Explanations on provisions: (continued)

Calculated amounts as a result of actuarial conjectures are as follows:

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| As of January 1   | 358.851               | 298.493             |
| Charge for the year   | 34.426                | 25.479              |
| Interest Expense  | 30.120                | 28.342              |
| Actuarial gain/loss   | 6.488                 | 36.245              |
| Previous Charge for the last financial period                         | 203                   | 830                 |
| Payment / The limitation of benefits/Loss( Gain) because of discharge | 286                   | 224                 |
| Benefits paid within the period (-)                                   | (35.356)              | (30.762)            |
| <b>Total</b>  | <b>395.018</b>        | <b>358.851</b>      |

As of 31 December 2015, the Group's unused vacation provision is TRY 131.873 and severance indemnity provision for outsource firms is TRY 11.848. This amount is followed under employee benefits provision under liabilities (31 December 2014: TRY 132.524 TL for unused vacation provision; TRY 9.125 for severance indemnity provision for outsources firms).

As of 1 January 2013, the Group's actuarial gains and losses are recognized and accounted in shareholders' equity.

f) Liabilities on pension rights

f.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2015 and 31 December 2014, no technical deficit has been reported for Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı, T.C. Ziraat Bankası and T. Halk Bankası Çalışanları Emekli Sandığı Vakfı.

g) Insurance Technical Provisions (Net):

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Life-Mathematical Provisions           | 222.007               | 217.823             |
| Provisions for unearned premium claims | 345.222               | 220.952             |
| Provision for outstanding claims       | 344.534               | 216.239             |
| Provisions for unexpired risk reserves | 18.940                | -                   |
| Other                                  | 1.962                 | 704                 |
| <b>Total</b>                           | <b>932.665</b>        | <b>655.718</b>      |

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

The remaining corporate tax liability of the Parent Bank after the deduction of the temporary tax amount stands at TRY 118.241 as of 31 December 2015.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Corporate tax payable                         | 118.241               | 352.743             |
| Income on securities tax                      | 143.398               | 107.853             |
| Property income tax                           | 1.323                 | 965                 |
| Banking and insurance transactions tax (BITT) | 71.486                | 49.264              |
| Foreign exchange transactions tax             | 9                     | 11                  |
| Value added tax payable                       | 5.180                 | 4.648               |
| Other   | 17.019                | 15.326              |
| <b>Total</b>                                  | <b>356.656</b>        | <b>530.810</b>      |

a.3. Information on premiums:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Social insurance premiums-employee                            | 377                   | 364                 |
| Social insurance premiums-employer                            | 818                   | 571                 |
| Bank social aid pension fund premium-employee                 | 7.164                 | 7.176               |
| Bank social aid pension fund premium-employer                 | 9.881                 | 9.810               |
| Pension fund membership fees-employee and provisions-employee | -                     | -                   |
| Pension fund membership fees-employer and provisions-employer | -                     | -                   |
| Unemployment insurance-employee                               | 25                    | 23                  |
| Unemployment insurance-employer                               | 74                    | 48                  |
| Other   | 1.703                 | 7.491               |
| <b>Total</b>  | <b>20.042</b>         | <b>25.483</b>       |

b) Explanations regarding deferred tax liability:

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| <b>Deferred Tax Asset/(Liability)</b>                          |                       |                     |
| Provisions <sup>(1)</sup>                                      | 203.319               | 176.684             |
| Revaluation of Financial Assets                                | (224.107)             | 86.475              |
| Other  | (2.076)               | 41.834              |
| <b>Deferred Tax Asset /(Liability) (Net):</b>                  | <b>(22.864)</b>       | <b>304.993</b>      |
| <b>Deferred tax accounted in shareholders' equity</b>          | <b>16.499</b>         | <b>(75.890)</b>     |
| Fair value differences for available for sale financial assets | 431.805               | (79.377)            |
| Actuarial gains and losses                                     | 2.927                 | 3.487               |
| Property Revaluation   | (418.233)             | -                   |

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions

As of 31 December 2015 net deferred tax liability represents TRY 22.864 (31 December 2014: TRY 304.993 deferred tax asset), it consists of deferred tax assets which amount to TRY 49.703 (31 December 2014: TRY 309.467) and deferred tax liabilities amount to TRY 72.567 (31 December 2014: TRY 4.474 TL).

(11) Information on liabilities regarding assets held for sale and discontinued operations: None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(12) Explanations on the number of subordinated loans the Parent Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

|                 | <b>Current period</b> | <b>Prior period</b> |
|-----------------|-----------------------|---------------------|
| Common stock    | 1.250.000             | 1.250.000           |
| Preferred stock | -                     | -                   |



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(13) Information on shareholders' equity: (continued)

b) Application of registered capital system and registered capital ceiling amount:

There is a application of registered capital system and registered capital ceiling amount TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

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

The Group has sustainable profitability structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

|  | Current period   |                  | Prior period   |               |
|--|------------------|------------------|----------------|---------------|
|  | TRY              | FC               | TRY            | FC            |
| From subsidiaries, associates and jointly controlled entities (joint ventures) | 9.155            | -                | 10.984         | -             |
| Revaluation difference   | (113.259)        | (181.027)        | 163.134        | 20.667        |
| Exchange rate difference   | -                | -                | -              | -             |
| <b>Total</b>   | <b>(104.104)</b> | <b>(181.027)</b> | <b>174.118</b> | <b>20.667</b> |

i) Information on legal reserves:

|  | Current period   | Prior period     |
|--|------------------|------------------|
| First Legal Reserves                                   | 850.090          | 776.033          |
| Second Legal Reserves                                  | 507.000          | 473.685          |
| Legal reserves appropriated in accordance with the law | 36.837           | 3.355            |
| <b>Total</b>   | <b>1.393.927</b> | <b>1.253.073</b> |

j) Information on the extraordinary reserves

|   | Current period    | Prior period     |
|---|-------------------|------------------|
| Reserves appropriated by General Assembly | 11.002.900        | 9.127.515        |
| Retained Earnings                         | 200.396           | 139.813          |
| Accumulated Reserves                      | -                 | (195)            |
| <b>Total</b>                              | <b>11.203.296</b> | <b>9.267.133</b> |

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (continued)**

(14) a) Information on minority interest shares:

|  | <b>Current Period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Paid-in capital                        | 151.230               | 141.953             |
| Export Premium                         | 15.717                | 11.085              |
| Marketable Securities Revaluation Fund | 1.281                 | 172                 |
| Legal Reserves                         | 8.061                 | 1.125               |
| Extraordinary Reserves                 | 10.949                | 7.689               |
| Retained Earnings                      | 1.095                 | (506)               |
| Other Profit Reserves                  | 2.767                 | 337                 |
| Net Period Income / Loss               | 10.326                | 16.905              |
| <b>Closing Balance</b>                 | <b>201.426</b>        | <b>178.760</b>      |

b) Movement of minority interest shares:

|                             | <b>Current Period</b> | <b>Prior period</b> |
|-----------------------------|-----------------------|---------------------|
| Beginning Balance           | 178.760               | 162.947             |
| Change in Minority Interest | 12.340                | (1.092)             |
| Net Period Income / Loss    | 10.326                | 16.905              |
| <b>Closing Balance</b>      | <b>201.426</b>        | <b>178.760</b>      |

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS**

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

| <b>Types of irrevocable commitments</b>                      | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Commitments for credit card expenditure limits               | 11.181.001            | 10.329.418          |
| Payment commitments for cheques                              | 5.442.458             | 5.073.145           |
| Loan granting commitments                                    | 2.560.552             | 2.045.738           |
| Two days forward foreign exchange buy/sell transactions      | 481.678               | 554.547             |
| Commitments for credit cards and banking services promotions | 46.532                | 41.774              |
| Tax and fund liabilities from export commitments             | 20.764                | 17.037              |
| Share capital commitments to associates and subsidiaries     | -                     | -                   |
| Other irrevocable commitments                                | 1.904.541             | 1.629.046           |
| <b>Total</b>   | <b>21.637.526</b>     | <b>19.690.705</b>   |

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

|                       | <b>Current period</b> | <b>Prior period</b> |
|-----------------------|-----------------------|---------------------|
| Letters of credit     | 5.016.951             | 3.923.602           |
| Bank acceptance loans | 3.273.781             | 3.068.156           |
| Other guarantees      | 879.817               | 905.190             |
| <b>Total</b>          | <b>9.170.549</b>      | <b>7.896.948</b>    |

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| Letters of certain guarantees                 | 13.968.827            | 12.623.491          |
| Letters of advance guarantees                 | 2.992.251             | 1.973.059           |
| Letters of tentative guarantees               | 789.535               | 915.139             |
| Letters of guarantee given to customs offices | 880.741               | 1.073.877           |
| Other letters of guarantee                    | 12.235.323            | 8.383.427           |
| <b>Total</b>                                  | <b>30.866.677</b>     | <b>24.968.993</b>   |

c) Total non-cash loans:

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Non-cash loans for providing cash loans          | 1.181.205             | 601.912             |
| <i>Within one year or less original maturity</i> | <i>184.804</i>        | <i>211.977</i>      |
| <i>Within more than one year maturity</i>        | <i>996.401</i>        | <i>389.935</i>      |
| Other non-cash loans                             | 38.856.021            | 32.264.029          |
| <b>Total</b>                                     | <b>40.037.226</b>     | <b>32.865.941</b>   |

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**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

c) Total non-cash loans (continued):

c.1) Non-cash loans sectoral risk concentrations:

|   | Current period    |               |                   |               | Prior period      |               |                   |               |
|---|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|   | TRY               | (%)           | FC                | (%)           | TRY               | (%)           | FC                | (%)           |
| Agricultural                                | 23.325            | 0,14          | 10.947            | 0,05          | 30.725            | 0,21          | 916               | 0,01          |
| <i>Farming and raising livestock</i>        | 20.156            | 0,12          | 10.016            | 0,04          | 17.406            | 0,12          | 916               | 0,01          |
| <i>Forestry</i>                             | 152               | -             | -                 | -             | 174               | -             | -                 | -             |
| <i>Fishing</i>                              | 3.017             | 0,02          | 931               | -             | 13.145            | 0,09          | -                 | -             |
| Manufacturing                               | 4.018.351         | 24,13         | 12.342.069        | 52,78         | 3.800.910         | 25,23         | 10.349.555        | 58,14         |
| <i>Mining</i>                               | 126.501           | 0,76          | 48.833            | 0,21          | 92.975            | 0,62          | 382.003           | 2,15          |
| <i>Production</i>                           | 2.843.994         | 17,08         | 10.013.570        | 42,82         | 2.440.417         | 16,20         | 7.690.657         | 43,20         |
| <i>Electric, gas and water</i>              | 1.047.856         | 6,29          | 2.279.666         | 9,75          | 1.267.518         | 8,41          | 2.276.895         | 12,79         |
| Construction                                | 4.317.501         | 25,92         | 5.578.617         | 23,86         | 3.685.543         | 24,46         | 3.199.413         | 17,97         |
| Services                                    | 8.155.736         | 48,97         | 5.362.202         | 22,93         | 7.418.626         | 49,26         | 4.024.788         | 22,61         |
| <i>Wholesale and retail trade</i>           | 4.449.349         | 26,72         | 1.970.494         | 8,43          | 3.507.006         | 23,28         | 1.760.789         | 9,89          |
| <i>Hotel, food and beverage services</i>    | 69.933            | 0,42          | 72.426            | 0,31          | 61.570            | 0,41          | 43.658            | 0,25          |
| <i>Transportation and telecommunication</i> | 151.737           | 0,91          | 327.059           | 1,40          | 117.045           | 0,78          | 250.984           | 1,41          |
| <i>Financial Institutions</i>               | 2.371.214         | 14,24         | 525.539           | 2,25          | 2.781.196         | 18,46         | 600.150           | 3,37          |
| <i>Real estate and renting services</i>     | 992.720           | 5,96          | 2.413.268         | 10,32         | 850.808           | 5,65          | 1.361.165         | 7,65          |
| <i>Self-employment services</i>             | 10.221            | 0,06          | 407               | -             | 9.841             | 0,07          | 1.131             | 0,01          |
| <i>Education services</i>                   | 18.799            | 0,11          | 52.991            | 0,23          | 17.399            | 0,12          | 4.911             | 0,03          |
| <i>Health and social services</i>           | 91.763            | 0,55          | 18                | -             | 73.761            | 0,49          | 2.000             | 0,01          |
| Other                                       | 139.766           | 0,84          | 88.712            | 0,38          | 129.543           | 0,84          | 225.922           | 1,27          |
| <b>Total</b>                                | <b>16.654.679</b> | <b>100,00</b> | <b>23.382.547</b> | <b>100,00</b> | <b>15.065.347</b> | <b>100,00</b> | <b>17.800.594</b> | <b>100,00</b> |

c.2) Non-cash loans classified in Group I and II:

|                                     | Group I           |                   | Group II       |               |
|-------------------------------------|-------------------|-------------------|----------------|---------------|
|                                     | TRY               | FC                | TRY            | FC            |
| <b>Non-cash loans</b>               | <b>16.327.343</b> | <b>23.312.244</b> | <b>327.336</b> | <b>70.303</b> |
| Letters of guarantee                | 15.342.713        | 15.132.197        | 327.336        | 64.431        |
| Bank acceptances                    | 359.503           | 2.911.565         | -              | 2.713         |
| Letters of credit                   | -                 | 5.013.792         | -              | 3.159         |
| Endorsements                        | -                 | -                 | -              | -             |
| Underwriting commitments            | -                 | -                 | -              | -             |
| Factoring commitments               | -                 | -                 | -              | -             |
| Other commitments and contingencies | 625.127           | 254.690           | -              | -             |

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**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

c.3) Information on derivative financial instruments:

|  | Derivative transactions according to purposes |                   |                 |              |
|--|---|-------------------|-----------------|--------------|
|  | Trading                                       |                   | Risk Management |              |
|  | Current period                                | Prior period      | Current period  | Prior period |
| Types of trading transactions                                    |   |                   |                 |              |
| <b>Foreign currency related derivative transactions (I)</b>      | <b>15.691.071</b>                             | <b>27.238.805</b> | -               | -            |
| Forward foreign currency buy/sell transactions                   | 6.528.818                                     | 5.397.802         | -               | -            |
| Currency buy/sell swap   | 8.802.995                                     | 21.527.565        | -               | -            |
| Currency futures   | -   | -                 | -               | -            |
| Currency put/call options  | 359.258                                       | 313.438           | -               | -            |
| <b>Interest related derivative transactions (II)</b>             | <b>7.580.360</b>                              | <b>1.866.286</b>  | -               | -            |
| Interest rate contracts  | -   | -                 | -               | -            |
| Interest rate buy/sell swap                                      | 7.580.360                                     | 1.866.286         | -               | -            |
| Interest rate put/call options                                   | -   | -                 | -               | -            |
| Interest rate buy/sell futures                                   | -   | -                 | -               | -            |
| <b>Other trading derivative transactions (III)<sup>(1)</sup></b> | <b>1.750.176</b>                              | <b>808.159</b>    | -               | -            |
| <b>A. Total trading derivative transactions (I+II+III)</b>       | <b>25.021.607</b>                             | <b>29.913.250</b> | -               | -            |
| Types of derivative transactions for risk management             |   |                   |                 |              |
| Fair value fluctuations hedge                                    | -   | -                 | -               | -            |
| Cash flow risk hedge   | -   | -                 | -               | -            |
| FC investment in associates risk hedge                           | -   | -                 | -               | -            |
| <b>B. Total derivative transactions for hedging</b>              | -   | -                 | -               | -            |
| <b>Total derivative transactions (A+B)</b>                       | <b>25.021.607</b>                             | <b>29.913.250</b> | -               | -            |

<sup>(1)</sup> Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 15.278 and TRY 1.734.898 respectively.

d) Information on contingent liabilities and assets:

The Group has provided TRY 37.481 (31 December 2014: TRY 85.109) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

|   | Current period   |                  | Prior period     |                  |
|---|------------------|------------------|------------------|------------------|
|   | TRY              | FC               | TRY              | FC               |
| <b>Interest on loans<sup>(1)</sup></b>          |                  |                  |                  |                  |
| Short term loans                                | 2.814.447        | 160.691          | 2.246.196        | 119.631          |
| Medium and long term loans                      | 6.572.326        | 1.700.220        | 5.152.678        | 1.212.717        |
| Interest on non-performing loans                | 66.167           | 3.361            | 68.922           | 576              |
| Premiums from resource utilization support fund | -                | -                | -                | -                |
| <b>Total</b>                                    | <b>9.452.940</b> | <b>1.864.272</b> | <b>7.467.796</b> | <b>1.332.924</b> |

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

|                          | Current period |              | Prior period  |              |
|--------------------------|----------------|--------------|---------------|--------------|
|                          | TRY            | FC           | TRY           | FC           |
| Central Bank of Turkey   | 26.681         | 2.631        | 2.846         | -            |
| Domestic banks           | 13.486         | 1.004        | 17.141        | 4.721        |
| Overseas banks           | 3.104          | 2.491        | 3.759         | 2.481        |
| Head office and branches | -              | -            | -             | -            |
| <b>Total</b>             | <b>43.271</b>  | <b>6.126</b> | <b>23.746</b> | <b>7.202</b> |

c) Interest income on marketable securities:

|   | Current Period   |                | Prior Period     |                |
|---|------------------|----------------|------------------|----------------|
|   | TRY              | FC             | TRY              | FC             |
| Financial Assets Held for Trading                     | 4.739            | 882            | 4.831            | 691            |
| Financial Assets at Fair Value Through Profit or Loss | -                | -              | -                | -              |
| Available-for-Sale Financial Assets                   | 641.758          | 183.461        | 723.711          | 128.202        |
| Held-to-Maturity Investments                          | 1.435.453        | 106.002        | 1.760.607        | 76.146         |
| <b>Total</b>  | <b>2.081.950</b> | <b>290.345</b> | <b>2.489.149</b> | <b>205.039</b> |

d) Interest income from associates:

None.

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (continued)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

|  | Current period |                | Prior period  |                |
|--|----------------|----------------|---------------|----------------|
|  | TRY            | FC             | TRY           | FC             |
| Banks                                    | 118.005        | 295.067        | 93.967        | 224.592        |
| <i>Domestic banks</i>                    | 71.964         | 15.831         | 60.018        | 17.425         |
| <i>Overseas banks</i>                    | 46.041         | 279.236        | 33.949        | 207.167        |
| <i>Overseas head office and branches</i> | -              | -              | -             | -              |
| Other institutions                       | 22             | -              | 4.149         | 14             |
| <b>Total</b>                             | <b>118.027</b> | <b>295.067</b> | <b>98.116</b> | <b>224.606</b> |

b) Interest expenses to associates:

|                                 | Current period | Prior period |
|---------------------------------|----------------|--------------|
| Interest expenses to associates | 3.092          | 2.859        |

c) Information on interest expenses to marketable securities issued:

|                               | Current period |                | Prior period  |                |
|-------------------------------|----------------|----------------|---------------|----------------|
|                               | TRY            | FC             | TRY           | FC             |
| Interest on securities issued | 138.351        | 319.000        | 95.583        | 183.339        |
| <b>Total</b>                  | <b>138.351</b> | <b>319.000</b> | <b>95.583</b> | <b>183.339</b> |

d) Maturity structure of interest expenses on deposits:

| Account name            | Time deposits   |                  |                  |                |                |                  | Cumulative deposit | Total            |
|-------------------------|-----------------|------------------|------------------|----------------|----------------|------------------|--------------------|------------------|
|                         | Demand deposits | Up to 1 month    | Up to 3 months   | Up to 6 months | Up to 1 Year   | More than 1 year |                    |                  |
| <b>TRY</b>              |                 |                  |                  |                |                |                  |                    |                  |
| Bank deposits           | 103             | 429.687          | 127.963          | 11.142         | 743            | -                | -                  | 569.638          |
| Saving deposits         | 108             | 39.847           | 2.474.932        | 101.909        | 30.809         | 39.963           | 7.411              | 2.694.979        |
| Public deposits         | 232             | 176.197          | 224.330          | 20.619         | 54.352         | 341              | -                  | 476.071          |
| Commercial deposits     | 389             | 293.514          | 1.082.919        | 101.216        | 20.024         | 12.686           | -                  | 1.510.748        |
| Other deposits          | -               | 67.417           | 135.262          | 19.769         | 213.722        | 427              | -                  | 436.597          |
| 7 days call accounts    | -               | -                | -                | -              | -              | -                | -                  | -                |
| <b>Total</b>            | <b>832</b>      | <b>1.006.662</b> | <b>4.045.406</b> | <b>254.655</b> | <b>319.650</b> | <b>53.417</b>    | <b>7.411</b>       | <b>5.688.033</b> |
| <b>Foreign currency</b> |                 |                  |                  |                |                |                  |                    |                  |
| Deposits                | 390             | 73.507           | 336.322          | 64.140         | 23.125         | 77.461           | 789                | 575.734          |
| Bank deposits           | -               | 61.546           | -                | -              | -              | -                | -                  | 61.546           |
| 7 days call accounts    | -               | -                | -                | -              | -              | -                | -                  | -                |
| Precious metal          | -               | -                | -                | -              | -              | -                | -                  | -                |
| <b>Total</b>            | <b>390</b>      | <b>135.053</b>   | <b>336.322</b>   | <b>64.140</b>  | <b>23.125</b>  | <b>77.461</b>    | <b>789</b>         | <b>637.280</b>   |
| <b>Grand total</b>      | <b>1.222</b>    | <b>1.141.715</b> | <b>4.381.728</b> | <b>318.795</b> | <b>342.775</b> | <b>130.878</b>   | <b>8.200</b>       | <b>6.325.313</b> |

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (continued)**

(3) Information on dividend income:

|  | Current period | Prior period  |
|--|----------------|---------------|
| Financial assets held for trading                      | -              | -             |
| Financial assets at fair value through profit and loss | 26             | -             |
| Financial assets available-for-sale                    | 4.340          | 3.335         |
| Other  | 1.888          | 19.806        |
| <b>Total</b>   | <b>6.254</b>   | <b>23.141</b> |

(4) a) Information on trading profit/loss (Net):

|  | Current period    | Prior period      |
|--|-------------------|-------------------|
| <b>Profit</b>                              | <b>20.498.674</b> | <b>17.908.235</b> |
| Profit from the capital market operations  | 37.077            | 301.261           |
| Profit on derivative financial instruments | 4.018.119         | 3.258.940         |
| Foreign exchange gains                     | 16.443.478        | 14.348.034        |
| <b>Loss (-)</b>                            | <b>20.739.433</b> | <b>17.830.995</b> |
| Loss from the capital market operations    | 4.117             | 932               |
| Loss on derivative financial instruments   | 3.892.538         | 4.675.735         |
| Foreign exchange losses                    | 16.842.778        | 13.154.328        |

b) Information on derivative financial instruments:

|  | Current period   | Prior period       |
|--|------------------|--------------------|
| <b>Profit on derivative financial instruments</b>      | <b>4.018.119</b> | <b>3.258.940</b>   |
| Effect of the change in foreign exchange on profit     | 3.929.463        | 3.245.225          |
| Effect of the change in interest rate on profit        | 88.656           | 13.715             |
| <b>Loss on derivative financial instruments (-)</b>    | <b>3.892.538</b> | <b>4.675.735</b>   |
| Effect of the change in foreign exchange on loss       | 3.836.462        | 4.669.174          |
| Effect of the change in interest rate on loss          | 56.076           | 6.561              |
| <b>Profit/loss on derivative financial instruments</b> | <b>125.581</b>   | <b>(1.416.795)</b> |

(5) Information on other operating income:

|  | Current period   | Prior period     |
|--|------------------|------------------|
| Adjustments for Prior Period Expenses <sup>(*)</sup> | 748.861          | 428.843          |
| Life insurance income                                | 731.824          | 523.378          |
| Receivable from the asset sale on credit terms       | 71.300           | 70.129           |
| Rent income  | 23.200           | 7.129            |
| Other income   | 102.319          | 65.703           |
| <b>Total</b>   | <b>1.677.504</b> | <b>1.095.182</b> |

(\*) Related explanation is made on page 105.



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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (continued)**

(6) Impairment losses on loans and other receivables:

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Specific provisions on loans and receivables   | 864.690               | 879.361             |
| <i>Group - III loans and receivables</i>   | 231.262               | 241.854             |
| <i>Group - IV loans and receivables</i>  | 190.811               | 556.587             |
| <i>Group - V loans and receivables</i>   | 442.617               | 80.920              |
| General loan provision expenses  | 291.794               | 135.445             |
| Provision expenses for possible losses <sup>(*)</sup>  | 123.500               | -                   |
| Marketable securities impairment losses  | -                     | -                   |
| <i>Financial assets at fair value through profit and loss</i>  | -                     | -                   |
| <i>Financial assets available for sale</i>   | -                     | -                   |
| Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity | -                     | -                   |
| <i>Associates</i>  | -                     | -                   |
| <i>Subsidiaries</i>  | -                     | -                   |
| <i>Jointly controlled entities (joint ventures)</i>  | -                     | -                   |
| <i>Investments held-to-maturity</i>  | -                     | -                   |
| Other  | 96.871                | 214.345             |
| <b>Total</b>   | <b>1.376.855</b>      | <b>1.229.151</b>    |

(\*) Related explanation is made on page 105.

(7) Information on other operating expenses:

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Personnel expenses   | 1.629.124             | 1.329.790           |
| Reserve for employee termination benefits                                    | 67.067                | 56.204              |
| Bank social aid provision fund deficit provision                             | -                     | -                   |
| Fixed assets impairment expense  | -                     | -                   |
| Depreciation expenses of fixed assets  | 114.110               | 113.313             |
| Intangible assets impairment expense   | -                     | -                   |
| Amortization expenses of intangible assets                                   | 20.973                | 9.489               |
| Impairment expense for equity shares subject to the equity method accounting | -                     | -                   |
| Impairment expense of assets that will be disposed of                        | 1.714                 | 2.398               |
| Amortization expenses of assets that will be disposed of                     | 7.654                 | 4.158               |
| Impairment expense for property and equipment held for sale                  | -                     | 25                  |
| Other operating expenses   | 1.130.048             | 1.057.108           |
| <i>Operational leasing expenses</i>  | 187.384               | 150.018             |
| <i>Maintenance expenses</i>  | 31.115                | 22.967              |
| <i>Advertisement expenses</i>  | 140.671               | 145.922             |
| <i>Other expenses</i>  | 770.878               | 738.201             |
| Loss on sales of assets  | 4.503                 | 10.746              |
| Other  | 1.231.126             | 830.250             |
| <b>Total</b>   | <b>4.206.319</b>      | <b>3.413.481</b>    |

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (continued)**

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Group's income before tax is due from continuing activities. TRY 5.934.120 of the income before tax consists of net interest income, TRY 1.093.934 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 2.898.360.

(9) Information on tax provisions for continuing and discontinued operations:

For the year ended 31 December 2015, the Bank's tax provision amounting to TRY 570.050 consists of TRY 182.802 of current tax charge and TRY 387.248 of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

For the year ended 31 December 2015; the Bank's net operating income after tax is amounting to TRY 2.328.310.

(11) Information on net profit/loss from continuing and discontinued operations:

- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2015 and 31 December 2015.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT**

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 890.803 thousands for the year 2015. (31 December 2014 TRY 8.152.453) The “other” item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 6.225.078 thousands cash out for the year 2015.(31 December 2014 TRY 3.800.937 Cash Outflow)

For the year ended 31 December 2015, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 846.458 increase (31 December 2014: TRY 263.031, increase).

- (2) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies:  
None.
- (4) Period beginning cash and cash equivalents balance:

|  | Current period    | Prior period      |
|--|-------------------|-------------------|
| Cash   | 20.331.936        | 20.021.395        |
| <i>Cash in TRY and foreign currency</i>        | 1.000.135         | 816.075           |
| <i>Central Bank and others<sup>(1)</sup></i>   | 19.331.801        | 19.205.320        |
| Cash equivalents                               | 1.742.639         | 2.133.459         |
| <i>Demand and Time Deposits Up to 3 Months</i> | 1.440.532         | 1.902.775         |
| <i>Money Market Placements</i>                 | 302.107           | 230.684           |
| <b>Total cash and cash equivalents</b>         | <b>22.074.575</b> | <b>22.154.854</b> |
| Reserve deposits in Central Bank               | (14.579.877)      | (15.470.667)      |
| Bank blockage balance <sup>(2)</sup>           | (199.262)         | (161.784)         |
| Accruals for reserve deposits                  | (1.606)           | -                 |
| Accruals for money market placement            | -                 | (211)             |
| Accruals for banks                             | (2.899)           | (2.611)           |
| <b>Cash and Cash Equivalents</b>               | <b>7.290.931</b>  | <b>6.519.581</b>  |

- (1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.
- (2) Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 182.627, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ amounting to TRY 16.635 which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

- (5) Period ending cash and cash equivalents balance:

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Cash   | 23.500.539        | 20.331.936        |
| <i>Cash in TRY and foreign currency</i>        | 1.258.794         | 1.000.135         |
| <i>Central Bank and others<sup>(1)</sup></i>   | 22.241.745        | 19.331.801        |
| Cash Equivalents                               | 2.671.525         | 1.742.639         |
| <i>Demand and Time Deposits Up to 3 Months</i> | 2.617.651         | 1.440.532         |
| <i>Money Market Placements</i>                 | 53.874            | 302.107           |
| <b>Cash and Banks</b>                          | <b>26.172.064</b> | <b>22.074.575</b> |
| Reserve deposits in Central Bank               | (17.068.977)      | (14.579.877)      |
| Bank blockage balance <sup>(2)</sup>           | (224.139)         | (199.262)         |
| Accruals for reserve deposits                  | (21.204)          | (1.606)           |
| Accruals for money market placement            | -                 | -                 |
| Accruals for banks                             | (1.842)           | (2.899)           |
| <b>Total Cash and Cash Equivalents</b>         | <b>8.855.902</b>  | <b>7.290.931</b>  |

- (1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.
- (2) Technical reserves of Halk Hayat ve Emeklilik AŞ amounting to TRY 200.998, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ has blockage balance amounting to TRY23.141 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK**

- (1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

- a) Current period:

| Risk group of the Parent Bank   | Subsidiaries, associates and jointly controlled entities (joint ventures) |          | Direct or indirect shareholders of the Parent Bank |          | Other real and legal persons in the risk group |          |
|---------------------------------|---|----------|--|----------|--|----------|
|                                 | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
|                                 | Loans and other receivables   |          |  |          |  |          |
| Beginning balance               | -   | 1.878    | -  | -        | -  | -        |
| Closing balance                 | -   | -        | -  | -        | -  | -        |
| Interest and commissions income | -   | -        | -  | -        | -  | -        |

- b) Prior period:

| Risk group of the Parent Bank   | Subsidiaries, associates and jointly controlled entities (joint ventures) |          | Direct or indirect shareholders of the Parent Bank |          | Other real and legal persons in the risk group |          |
|---------------------------------|---|----------|--|----------|--|----------|
|                                 | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
|                                 | Loans and other receivables   |          |  |          |  |          |
| Beginning balance               | -   | 1.119    | -  | -        | -  | -        |
| Closing balance                 | -   | 1.878    | -  | -        | -  | -        |
| Interest and commissions income | -   | 6        | -  | -        | -  | -        |

- c.1. Deposits held by the Parent Bank's risk group:

| Risk group of the Parent Bank | Subsidiaries, associates and jointly controlled entities (joint ventures) |              | Direct or indirect shareholders of the Bank |              | Other real and legal persons in the risk group |              |
|-------------------------------|---|--------------|---|--------------|--|--------------|
|                               | Current period  | Prior period | Current period                              | Prior period | Current period                                 | Prior period |
|                               | <b>Deposits</b>   |              |   |              |  |              |
| Beginning balance             | 27.020  | 34.651       | -   | -            | -  | -            |
| Closing Balance               | 5.823   | 27.020       | -   | -            | -  | -            |
| Interest expense on deposits  | 482   | 2.859        | -   | -            | -  | -            |

- c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK (continued)**

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The Parent Bank's branches may operate as insurance agencies of Halk Sigorta AŞ ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of the Parent Bank's funds.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

|                                  | <b>Amount</b> | <b>% compared to the<br/>amounts in the financial<br/>statements</b> |
|----------------------------------|---------------|--|
| Cash loans                       | -             | -  |
| Non-cash loans                   | -             | -  |
| Deposits                         | 5.823         | %0,01  |
| Forward and option contracts     | -             | -  |
| Banks and financial institutions | -             | -  |

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 23.316 as of 31 December 2015 (31 December 2014: TRY 19.564).

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

- (1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

|                           | Quantity | Number of employees | Country          | Total Assets | Legal Capital |
|---------------------------|----------|---------------------|------------------|--------------|---------------|
| <b>Domestic Branches</b>  | 944      | 17.054              |                  |              |               |
| <b>Agencies Abroad</b>    | 2        | 3                   | Tahran/İRAN      |              |               |
|                           |          | (*)                 | Londra/İNGİLTERE |              |               |
| <b>Overseas Branches</b>  | 4        | 25                  | Lefkoşa/KKTC     | 413.440      | -             |
|                           |          | 10                  | Gazimagosa/KKTC  | 62.553       | -             |
|                           |          | 8                   | Girne/KKTC       | 55.213       | -             |
|                           |          | 1                   | Paşaköy/KKTC     | 233          | -             |
| <b>Off-shore Branches</b> | 1        | 3                   | Manama/BAHREYN   | 7.447.524    | -             |

(\*) Regarding personnel has worked for Halk Yatırım AŞ.

- (2) Explanations on branch and agency openings or closings of the Parent Bank:

The Parent Bank opened 49 domestic branches during the year.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED  
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**IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

None.



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**SECTION VI: OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS**

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INDEPENDENT AUDITORS' REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT**

The consolidated financial statements as of and for the year ended 31 December 2015 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 24 February 2016 is presented in the introduction of this report.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.