Odea Bank A.Ş.

Financial statements at December 31, 2015 together with independent auditor’s report

Independent auditor's report

To the Board of Directors of Odea Bank A.Ş.

We have audited the accompanying financial statements of Odea Bank A.Ş. (the Bank), which comprise the statement of financial position as at December 31, 2015 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 unconsolidated financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

İstanbul, April 15, 2016

Odea Bank A.Ş.

Index to the financial statements

Contents **Page**

Odea Bank A.Ş.

Statement of financial position
as at December 31, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2015	December 31, 2014
Assets			
Cash and balances with central banks	5	4.074.584	2.830.662
Due from banks	6	103.739	1.021.288
Money market placements	6	4.061.196	2.235.688
Financial assets at fair value through profit or loss	7	*125.725*	*47.114*
- Financial assets held for trading	7	24.812	3.157
- Derivative financial instruments	7-8	100.913	43.957
Loans and advances to customers	9	21.707.618	17.951.675
Investment securities	10	*1.461.627*	*1.163.145*
- Available-for-sale	10	811.505	518.213
- Available-for-sale pledged as collateral	10	285.673	344.841
- Held-to-maturity	10	364.449	300.091
- Held-to-maturity pledged as collateral	10	-	-
Property and equipment	11	142.902	116.962
Intangible assets	12	99.028	57.442
Deferred income tax assets	16	60.625	30.165
Current assets held for sale	13	29.879	6.132
Other assets	13	136.382	114.036
Total assets		**32.003.305**	**25.574.309**
Liabilities			
Deposits	14	25.333.496	21.061.040
Due to banks	15	3.133.469	1.411.123
Debt securities issued	15	154.995	137.483
Subordinated loans and similar debt	15	436.789	353.655
Funds obtained under repurchase agreements	15	156.858	138.889
Derivative financial instruments	8	142.719	50.663
Income taxes payable	16	-	4.090
Employee Benefits	17	54.623	41.918
Other liabilities and accrued expenses	18	249.554	230.802
Total liabilities		**29.662.503**	**23.429.663**
Equity			
Share capital	19	1.496.150	1.496.150
Capital contribution	19	873.420	699.480
Other reserves	20	(43.071)	(2.669)
Retained earnings		(48.315)	(86.040)
Result of the year		62.618	37.725
Total equity		**2.340.802**	**2.144.646**
Total liabilities and equity		**32.003.305**	**25.574.309**

The accompanying notes set out on pages 6 to 60 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of income
For the year ended December 31, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2015	December 31, 2014
Interest income	21	2.400.924	1.665.685
Interest expense	21	(1.662.494)	(1.146.392)
Net interest income		**738.430**	**519.293**
Fee and commission income	22	125.752	56.915
Fee and commission expense	22	(27.518)	(14.588)
Net fee and commission income		**98.234**	**42.327**
Foreign exchange gains, net	23	(20.042)	(5.887)
Net trading and fair value income / (loss)	23	44.005	11.074
Gains from investment securities, net	23	(1.910)	19.762
Other Operating Income		2.502	430
Total Operating income		**861.219**	**586.999**
Net provisions for credit losses	9	(254.269)	(137.512)
Net Operating income		**606.950**	**449.487**
Personnel Expenses	24	251.722	203.303
Other operating expenses	24	222.329	160.330
Depreciation of property and equipment	24	35.939	25.208
Amortization of intangible assets	24	18.688	12.603
Total Operating expenses	**24**	**(528.678)**	**(401.444)**
Operating profit/(loss)		**78.272**	**48.043**
Profit/(loss) before income tax		**78.272**	**48.043**
Current income tax credit/(expense)	16	(36.013)	(18.501)
Deferred tax income	16	20.359	8.183
Profit/(Loss) for the year		**62.618**	**37.725**
Earnings/(Loss) Per Share		**0,042**	**0,025**

The accompanying notes set out on pages 6 to 60 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of comprehensive income
for the year ended December 31, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2015	December 31, 2014
Profit/(Loss) for the year		**62.618**	**37.725**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-	-
Net gains / (losses) on available-for-sale financial assets		**-**	**-**
- Unrealized net gains / (losses) arising during the year, before tax		(48.093)	26.158
- Net amount reclassified to the statement of income, before tax		(2.410)	(18.811)
Net investment hedges			-
- Net gains (losses) arising on hedges recognized in other comprehensive income, before tax		**-**	**-**
- Net amount reclassified to the statement of income, before tax		-	-
Cash flow hedges		**-**	**-**
- Net losses arising on hedges recognized in other		-	-
comprehensive income, before tax		**-**	**-**
- Net amount reclassified to the statement of income, before tax		-	-
Income tax relating to components of other comprehensive income	16	**10.101**	**(1.470)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(40.402)**	**5.877**
Total comprehensive income/(loss) for the year		**22.216**	**43.602**

The accompanying notes set out on pages 6 to 60 form an integral part of these financial statements.

Statement of changes in equity
for the year ended December 31, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	Share capital	Retained Earnings and result of the year (Note 28)	Other reserves (Note 28)	Capital contribution(*)	Total equity
Balance at January 1, 2014		**1.496.150**	**(86.040)**	**(8.546)**	**-**	**1.401.564**
Total comprehensive income/(loss) for the year		-	37.725	5.877	-	**43.602**
Capital increase in cash	19	-	-	-	-	**-**
Capital contribution (*)	19	-	-	-	699.480	**699.480**
Balance at December 31, 2014		**1.496.150**	**(48.315)**	**(2.669)**	**699.480**	**2.144.646**
Total comprehensive income/(loss) for the year		-	62.618	(40.402)	-	**22.216**
Capital increase in cash	19	-	-	-	-	**-**
Capital contribution exchange differences	19	-	-	-	173.940	**173.940**
Balance at December 31, 2015		**1.496.150**	**14.303**	**(43.071)**	**873.420**	**2.340.802**

(*) The Bank has classified the subordinated loans obtained from to its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million respectively which were previously recognized as Tier II capital in the account of additional Tier I capital. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the types of both loans were changed to perpetual and interest-free. As of April 1, 2014 including of the both loans to account of additional Tier I capital was also approved by BRSA.

The accompanying notes set out on pages 6 to 60 form an integral part of these financial statements.

Odea Bank A.Ş.

Statement of cash flow
for the year ended December 31, 2015
(Amounts expressed in thousands of TL unless otherwise indicated.)

	Note	December 31, 2015	December 31, 2014
Cash flows from operating activities			
Net profit/(loss)		62.618	37.725
Adjustments for:			
Amortization of intangible assets	12	18.688	12.603
Depreciation of property and equipment	11	35.939	25.208
Taxes paid	16	15.654	14.411
Other short term employee benefits		(41.138)	(43.160)
Interest accrual		(69.119)	9.415
Cash flows from operating profits before changes in operating assets and liabilities		**22.642**	**56.202**
Changes in operating assets and liabilities:			
Net decrease / (increase) in due from banks and cash balances with central banks		(1.058.015)	(796.182)
Net decrease / (increase) in due from banks		-	-
Net decrease / (increase) in derivative financial instruments		(16.521)	(1.466)
Net decrease / (increase) in loans and advances to customers		(3.515.324)	(6.537.786)
Net (increase) / decrease in other assets		(56.155)	(27.370)
Net (decrease) / increase in customer deposits		3.612.872	8.355.635
Net increase / (decrease) in other liabilities and provisions		11.017	81.926
Net increase / decrease in other borrowed funds		1.732.532	159.248
Other taxes paid		(21.152)	227.031
Income taxes paid		-	-
Net cash from / (used in) operating activities		**689.254**	**1.461.035**
Cash flows from investing activities			
(Purchase of) property and equipment	11	(61.879)	(37.732)
Ney book value of property and equipment disposed		-	-
(Purchase of) intangible assets, net	12	(60.274)	(21.799)
(Purchase of) held-to-maturity securities	10	-	(297.671)
Redemption or sale of held-to-maturity securities		-	-
(Purchase of) available-for-sale securities	10	-	(381.409)
Sale or redemption of available-for-sale securities	10	-	469.279
Dividends received		-	-
Other, net		-	-
Net (used in) investing activities		**(122.153)**	**(269.332)**
Cash flows from financing activities			
Subordinated Loan(*)	19	-	349.740
Cash obtained from securities issued		375.342	289.232
Cash used for repayment of debt securities issued		(357.883)	(150.000)
Repayments of borrowed funds and debt securities		(2.063.938)	(886.773)
Proceeds from borrowed funds and debt securities		2.421.821	1.036.773
Capital increase		-	-
Net cash from / (used in) financing activities		**375.342**	**638.972**
Net increase / (decrease) in cash and cash equivalents		**965.085**	**1.886.877**
Effects of foreign exchange rate changes on cash and cash equivalents		62.276	16.252
Cash and cash equivalents at beginning of year	5	3.671.063	1.767.934
Cash and cash equivalents at end of year	5	**4.698.424**	**3.671.063**
Operational cash flows from interest:			
Interest paid		**1.375.779**	**1.006.035**
Interest received		**2.181.237**	**1.595.326**

(*) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by “Regulation on Equity of Banks”.

1. General information

Odea Bank A.Ş. (a subsidiary of Bank Audi sal) was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

The Ultimate parent of the Bank is Bank Audi sal.

The Bank is registered in Istanbul, Turkey at the following address: Levent 199, Büyükdere Caddesi No:199 Kat : 33-39 Şişli/ İstanbul. As of December 31, 2015, the Bank is operating with 55 branches and 1.538 employees.

The financial statements as at and for the year ended December 31, 2015 have been approved on 15 April 2016 by Hüseyin Özkaya the Chief Executive Officer and by Naim Hakim the Chief Financial Officer of Odea Bank A.Ş.. Authorised boards of the Bank and other regulatory bodies have the power to amend the statutory financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation of these financial statements

The financial statements have been prepared on a historical cost basis; except for available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, which have all been measured at fair value.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") including the International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority, additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code and Tax Regulations. Financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The financial statements are presented in the national currency of the Republic of Turkey the Turkish Lira ("TL").

2. Summary of significant accounting policies (continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2015 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Bank's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have any significant impact on the financial statements of the Bank.

Annual Improvements to IAS/IFRSs

In December 2013, IASB issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable).

IFRS 8 Operating Segments

The amendments clarify that: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

2. Summary of significant accounting policies (continued)

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

Above amendments did not have a significant impact on the financial statements of the Bank.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Bank will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Bank.

2. Summary of significant accounting policies (continued)

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Bank.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
- At cost
- In accordance with IFRS 9, or
- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In April 2015, amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

2. Summary of significant accounting policies (continued)

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

In February 2015, amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In February 2015, amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Bank.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was 1 January 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

2. Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Bank applies this relief, it shall disclose that fact. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Bank first applies those amendments, it is not required to provide comparative information for preceding periods.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

2. Summary of significant accounting policies (continued)

B. Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in Turkish Lira (TL), which is the Bank's functional and the presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

C. Related parties

Parties are considered related to the Bank if below conditions are met;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Bank Audi Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business.

2. Summary of significant accounting policies (continued)

D. Due from other banks

Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost.

E. Financial assets at fair value through profit or loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are designated at fair value through profit or loss when doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments such as loans and advances to customers or banks and debt securities in issue were carried at amortized cost.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are included in net trading, hedging and fair value income and loss.

F. Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity, where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognized at fair value which is the cash consideration paid including transaction costs. Available-for-sale financial assets are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for sale revaluation are recognized as other comprehensive income in the "available-for-sale revaluation reserve" included in other reserves, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is transferred to the income statement. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Held to maturity investments are initially recorded at fair value which is the cash consideration paid including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

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

All purchases and sales of investment securities are recognized at the settlement date, which is the date the asset is delivered to/by the Bank. Any change in fair value of the available-for-sale securities to be received during the period between the trade date and the settlement date is recognized in other comprehensive income.

Unsettled transactions are recorded as off statement of financial position commitments until the settlement date.

2. Summary of significant accounting policies (continued)

G. Repurchase and reverse repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within funds obtained under repo agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest expense and amortized over the life of repo agreements using the effective interest method.

Securities purchased under agreements to resell ("reverse repos") are recorded as money market placements. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective interest rate method.

H. Loans and advances to customers

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value including the related transaction costs and subsequently measures at amortised cost less any provision for loan losses.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

The Bank holds appropriate collateral for each loan according to its specified risk and the relevant Banking Regulation and Supervision Agency ("BRSA") communiqués. The collateral strategy differentiates between collateral types on the basis of customers' ratings and loan terms. In general, the types of collaterals are cash collaterals, mortgages, guarantees, promissory notes, securities issued by the Turkish Treasury Undersecretariat and Central Bank and pledge on assets.

I. Impairment of financial assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

The Bank has started to provide specific and collective provisions in 2013. The Bank reviews its loan portfolio to assess impairment at least on monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

2. Summary of significant accounting policies (continued)

J. Derivative financial instruments

The Bank's derivative instruments consist of options, foreign currency and interest swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("IAS 39"). There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

Interest income and expenses on swap transactions are presented in interest income or expense.

K. Property and equipment

All property and equipment are carried at cost less accumulated depreciation and accumulated impairment if any. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life as follows:

Buildings	50 years
Safety box	50 years
ATM	10 years
Furniture and fixtures and motor vehicles	5 years
Office equipment	3-4 years

Gain or loss resulting from disposals of the property and equipment is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage or any other lien on property and equipment.

L. Other intangible assets

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives.

As of the balance sheet date, all software are purchased and there are no completed or continuing software development projects by the Bank internally.

M. Accounting for leases as lessee

Tangible fixed assets acquired by financial leases are accounted for in accordance with IAS 17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term. As of December 31, 2015 the Bank has operational lease agreements for some of its branches and rent expense for them is amounting to TL 55.081.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

2. Summary of significant accounting policies (continued)

N. Financial liabilities

Financial liabilities including deposits from banks, customer deposits and other borrowed funds are recognized initially at fair value plus, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, financial liabilities are measured at amortized cost, using the effective interest rate, except for financial liabilities designated at fair value. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

O. Income taxes

(i) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Taxes other than on income are recorded within operating expenses (Note 24).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank. Deferred income tax assets resulting from temporary differences, carry forward of unused tax losses and unused tax credits are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 16).

Deferred tax related to fair value remeasurement of available-for-sale investments, which are recognized in other comprehensive income, is also recognized in the other comprehensive income.

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

P. Retirement benefit obligations

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Total benefit is calculated in accordance with IAS 19 “International Accounting Standard on Employee Benefits”.

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

The Bank has no retirement fund or foundation that the employees are the member of.

2. Summary of significant accounting policies (continued)

Defined Contribution Plans

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short-term Employee Benefits

In accordance with IAS 19 "International Accounting Standard on Employee Benefits"; the expected cost of accumulating paid absences are measured as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

R. Provisions, contingent assets and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

As of balance sheet date, there is no case filed against to the Bank where the Bank is assessing as probable to lose.

S. Interest income and expense

Interest income and expenses are recognized in the statement of income on an accrual basis using the effective interest rate method.

T. Fee and commission income and expense

All fees and commission income/expenses are recognized as income at the time of realization and during the period where the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as an integral part of the effective interest rate of a financial instrument and accounted as accrual basis. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction.

U. Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the statement of financial position date are dealt with in the subsequent events note.

V. Acceptances

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

2. Summary of significant accounting policies (continued)

AA. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

AB. Cash and cash equivalents

The cash and cash equivalents comprise balances with original maturities less than 90 days including cash and balances with the central banks excluding reserve requirements and loans and advances to banks (Note 5).

AC. Segment reporting

The Bank provides a full range of banking services and operates in Corporate Banking, Commercial Banking and SME Banking, Retail and Treasury and Capital Markets business segments. These segments have been determined by considering customer types, size and needs and in accordance with the Bank's organizational structure where the profitability, on the basis of account, customer, customer relationship manager, branch segment and product is generated and followed.

Below are the detailed explanations on business segments:

Corporate Banking:

Odeabank offers a wide range of corporate banking products to clients and benefits from the Group's regional strength and network of corporate banking operations, particularly in the MENA region. In 2013, Odeabank launched corporate banking services in five locations in Turkey, Maslak, Güneşli, Kozyatağı, Izmir and Ankara and opened representative offices in Bursa and Gaziantep. As at 31 December 2015, Odeabank had a corporate cash loan portfolio of TL 10.2 billion and a corporate deposit portfolio of TL 6.3 billion.

Commercial and SME Banking:

Odeabank offers commercial banking services to all customers with an annual turnover up to U.S.$75 million as well as the small and medium entreprise (SME) sector. As at 31 December 2015, Odeabank had a commercial & SME loan portfolio of over TL 9.2 billion and a commercial & SME deposit portfolio of TL 4.2 billion. Commercial & SME Banking operations are conducted from 31 locations in Turkey, including seven centres, of which three are in Istanbul and one in each of Ankara, Izmir, Bursa and Adana, as well as through 24 "commercial & retail" branches.

Retail Banking:

Odeabank offers a full range of retail products and services, including conventional checking and savings accounts, fixed-term deposits, loans and housing loans, credit cards and bancassurance products. Odeabank's retail banking activities are offered through three principal divisions: wealth management, debt and credit cards and consumer loans. As at 31 December 2015, Odeabank's retail banking division operated from 55 branches and had more than 386,000 customers. As at 31 December 2015, Odeabank had a retail deposit portfolio of TL 14.6 billion.

Wealth Management

Odeabank's wealth management division invests customer's savings in fixed income instruments, such as deposits and bonds or Eurobonds, mutual funds, equities and alternative investment vehicles, such as derivative products.

(Amounts expressed in thousands of TL unless otherwise indicated.)

2. Summary of significant accounting policies (continued)

Debit and Credit Cards

As at 31 December 2015, Odeabank had issued approximately 275,000 credit cards and 328,000 debit cards. The Bank currently offers its no-fee Bank' O card credit card,its Bank'O Card Axess credit card (with credit limits up to TL 200,000), and its Bank'O debit card.

Consumer Loans

As part of its consumer loan activities, Odeabank offers various consumer loan products, including low-interest, low-fee and no-fee general purpose loans, ready-cash fast loans, overdraft accounts for emergency use, mortgage products and housing loans and car loans. As at 31 December 2015, Odeabank had a retail loan portfolio of TL 2.3 billion.

Treasury and Capital Markets:

Odeabank conducts treasury and capital markets activities through its balance sheet management unit (which is responsible for ensuring that the domestic and foreign currency liquidity levels of Odeabank are maintained in a sustainable and healthy way in compliance with applicable laws and regulations), markets unit (which trades in interbank markets in line with the profit goals and limits determined by Odeabank's Board of Directors), and treasury sales unit (which prices transactions, including spot foreign exchange, forward foreign exchange, arbitrage, forward arbitrage, foreign exchange/interest rate swaps, treasury bills, government bonds, Eurobonds and cross currency swaps, as well as designs and offers structured products).

December 31, 2015

1 - Net Operating Income Information

	Corporate Banking	Commercial & SME Banking	Retail	Treasury and Capital Markets	Head Office and Others	TOTAL
Net interest income	**299.406**	**288.389**	**194.670**	**34.922**	**(78.957)**	**738.430**
Non-Interest income	**68.010**	**43.102**	**24.353**	**44.252**	**(56.928)**	**122.789**
Commissions	64.406	35.444	6.990	-	(8.606)	**98.234**
FX Operations & Financial operations	3.604	7.442	16.118	44.252	(49.363)	**22.053**
Other operating income	-	216	1.245	-	1.041	**2.502**
Total operating income	**367.416**	**331.491**	**219.023**	**79.174**	**(135.885)**	**861.219**
Loan Loss Provisions (*)	**(15.443)**	**(95.957)**	**(142.869)**	**-**	**-**	**(254.269)**
Net operating income	**351.973**	**235.534**	**76.154**	**79.174**	**(135.885)**	**606.950**
Commission Expenses	1.131	3.242	18.840	-	8.279	**31.492**
Commission Reclass	22.401	21.205	23.169	-	3	**66.778**
Profitability Summary - Format	**353.104**	**238.776**	**94.994**	**79.174**	**(127.606)**	**638.442**

(*)Netted off with reversals on collections and sales.

2 - Financial Position Information

	Corporate Banking	Commercial & SME Banking	Retail	Treasury and Capital Markets	Head Office and Others	TOTAL
Total Assets	10.171.336	9.233.754	2.302.528	5.384.785	4.984.643	**32.077.046**
Total Liabilities	6.263.257	4.172.117	14.617.999	3.144.937	3.878.736	**32.077.046**

(Amounts expressed in thousands of TL unless otherwise indicated.)

2. Summary of significant accounting policies (continued)

December 31, 2014

1 - Net Operating Income Information

	Corporate Banking	Commercial & SME Banking	Retail	Treasury and Capital Markets	Head Office and Others	TOTAL
Net interest income	**191.313**	**252.577**	**120.980**	**279**	**(45.856)**	**519.293**
Non-Interest income	**18.507**	**29.220**	**18.603**	**26.804**	**(25.428)**	**67.706**
Commissions	14.011	23.832	10.721	-	(6.237)	42.327
FX Operations & Financial operations	4.496	5.388	7.882	26.804	(19.621)	24.949
Other operating income	-	-	-	-	430	430
Total operating income	**209.820**	**281.797**	**139.583**	**27.083**	**(71.284)**	**586.999**
Loan Loss Provisions (*)	(5.687)	(73.050)	(58.776)	-	-	(137.513)
Net operating income	**204.133**	**208.747**	**80.807**	**27.083**	**(71.284)**	**449.486**
Commission Expenses	635	1.634	8.846	-	6.287	17.402
Commission Reclass	11.772	18.852	25.399	-	3	56.026
Profitability Summary - Format	**204.768**	**210.381**	**89.653**	**27.083**	**(64.997)**	**466.888**

(*)Netted off with reversals on collections and sales.

2 - Financial Position Information

	Corporate Banking	Commercial & SME Banking	Retail	Treasury and Capital Markets	Head Office and Others	TOTAL
Total Assets	7.853.746	8.452.719	1.645.211	4.167.145	3.471.108	**25.589.929**
Total Liabilities	5.151.539	3.944.494	11.978.485	1.390.956	3.124.455	**25.589.929**

AD. Earnings per share

Earnings per shares are disclosed under financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4).

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the financial statements are as follows:

Impairment losses on loans and advances

The Bank has started to grant loans to its customers since October 2012. The Bank reviews its loan portfolios to assess impairment on a continuous basis. According to aging analysis of customers, as of December 31, 2015 the Bank has nonperforming loan customers. Accordingly there is specific provision as well as collective provision provided over the whole loan portfolio based on internal assumptions by considering the historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. (Note 9)

Fair value of derivatives

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. (Note 8)

Tax legislation

Turkish tax legislation is subject to varying interpretations as disclosed in Note 16.

Deferred income tax asset recognition

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the difference between the carrying value and tax base of property, plant and equipment, valuation difference on trading and investment securities, remeasurement of financial assets and liabilities at fair value, provision for loan losses and provision for employment termination benefits. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized (Note 16).

Current tax and deferred tax related to items recognized directly in equity are also credited or charged directly to equity.

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

4. Financial risk management

The Bank’s Risk Management Unit was established as an independent unit which reports to the Member of Audit Committee who is responsible for the Audit, Internal Control and Risk Management.

Risk management is committed to control processes in order to determine the limits and measurement of operational risks, including the risks comprising of credit, market, interest rate, concentration, counterparty, banking accounts and IT risks.

Risk Management regularly reports to Senior Management and the Audit Committee all the risks the Bank is exposed to and concentrations, and the Bank’s own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of, market risk limits, liquidity and interest rate, credit risk analysis and capital adequacy analysis and daily value at risk (VAR) analysis. These reports are also presented to Asset-Liability Management Committee Audit committee on a monthly basis. Financial instruments in the Bank's portfolio are closely monitored and reported on a daily basis against volatility and market values of market risk instruments.

Monthly scenario analysis on economic capital, capital adequacy, liquidity and profitability scenarios and credit risk on Bank’s loan portfolio including benchmark of similar banks are presented to the Audit Committee. Management follows the Bank’s performance and the limits by using these detailed reports.

Risk Management Group calculates Basel II capital adequacy calculation, namely Credit Risk, Market Risk and Operational Risk, in accordance with “Regulation on Measurement and Assessment of Capital Adequacy of Bank’s” published in the Official Gazette dated June 28, 2012 numbered 28337.”

At the Bank, banking processes and policies were established by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 28337 dated June 28, 2012. Consequently, related procedures/policies are formed and then approved by the Board of Directors at August 2012.

In order to manage operational risks that the Bank is exposed to more effectively and to form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated.

In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

Liquidity Risk is the risk that the Bank cannot fulfill its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows. In order to define, measure, follow, report the liquidity risk the Bank is exposed to and take necessary actions for the results Liquidity Risk Policy format was prepared with an ongoing and forward-looking basis.

Concentration risk is the risk within credit risk that is exposed according to individual debtor and debtor groups, to debtor groups that indicate similar characteristics in terms of economic and regional sector qualities, on the basis of the assets subject to the collateral securities similar to the risk that is to be considered also within the scope of the market risk and operational risk. In order to define, measure, follow and manage the concentration risk the Bank is exposed to, Concentration Risk Policy is formed. Concentration limits are monitored in compliance with the credit, deposit and related policies.

4. Financial risk management (continued)

Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings an obligation to both sides. In order to define, measure, follow and manage the counterparty credit risk the Bank is exposed to Counterparty Credit Risk and Clearing Risk Policy is formed. Counterparty credit risk management is conducted by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes. The limits for counterparties are determined by the Board of Directors.

"Banking Book" includes all Assets and Liabilities (including credit) except trading securities portfolio. In order to define, measure, follow, report the interest rate risk related to banking book risk the Bank is exposed to and take necessary actions for the results, interest rate risk policy related to banking book is formed. Interest rate risk is managed by senior management in order to avoid losses from adverse interest rate movements.

Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market. Risk Management Procedure is formed in such a way that it includes all the definitions above.

Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies. Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect the limits are allocated by the Board of Directors. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

A. Credit risk

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

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

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

4. Financial risk management (continued)

Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

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

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

As of December 31, 2015, the proportion of the Bank’s top 100 and 200 cash loan customers’ in total cash loans is 51% and 64% respectively.

As of December 31, 2015, the proportion of the Bank’s top 100 and 200 customers’ non-cash loan balances in total non-cash loans is 60% and 67%.

4. Financial risk management (continued)

<u>Bank's rating system:</u>

Internal credit rating system is used by The Bank. As a basis for the rating classification; financial data of customers has been processed by the MRA - Moody's Risk Analyst software and output rate is considered.

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

Rating	Risk Grade	Description
(1) Excellent	1	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; excellent and proven management; market leader.
(2) Strong	2+ 2 2-	Very good business credit with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
(3) Good	3+ 3 3-	Good business credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
(4) Satisfactory	4+ 4 4-	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
(5) Adequate	5+ 5 5-	Average to low business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance.
(6) Marginal	6+ 6 6-	Below average business credit subject to high credit risk. Company is likely a lower tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
(7) Vulnerable	7+ 7 7-	Weak business credit: Judged to be of poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status not to the point of justifying a Substandard classification.
(8) Substandard	8	Substandard (Default): Unacceptable business credit with normal repayment in jeopardy.
(9) Doubtful	9	Doubtful (Default): Full repayment questionable. Serious problems to the point where partial loss of principal is likely.
(10) Loss	10	Loss (Default): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Maximum exposure to credit risk

	2015	**2014**
Credit risk exposures relating to assets on-statement of financial position:		
Cash and balances with central banks	4.074.584	2.830.662
Due from banks	103.739	1.021.288
Money market placements	4.061.196	2.235.688
Loans and advances to customers	21.707.618	17.951.675
- Retail	2.302.528	1.645.211
- Corporate	10.171.336	7.853.746
- Commercial & SME	9.233.754	8.452.719
Financial assets at fair value through profit or loss	125.725	47.114
- Financial assets held for trading	24.812	3.157
- Derivative financial instruments	100.913	43.957
Investment securities	1.461.627	1.163.145
- Available-for-sale	1.097.178	863.054
- Held-to-maturity	364.449	300.091
Other assets	98.838	68.205
Credit risk exposures relating to off-balance sheet items:		
Bank acceptance loans	68.037	54.686
Letters of credit	480.011	431.685
Letter of guarantee	1.748.730	1.005.914
Other commitments	901.450	1.143.101

The above table represents a worst case scenario of credit risk exposure in the absence of any collateral or credit enhancements.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, mortgages over real estate properties, cash, guarantee letters, securities, pledges or guarantees
- For retail lending, mortgages over residential properties or pledges on vehicles

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement when necessary.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Collateral Distribution

31 December 2015	**Corporate**	**Commercial & SME**	**Retail**	**Total**
Deposit	965.818	577.212	40.187	1.583.217
Mortgage	2.647.658	5.074.117	623.781	8.345.556
Assignment of claim	2.197.583	623.796	-	2.821.379
Cheque	283.829	656.485	-	940.314
Pledge of vehicle	44.588	69.927	43.658	158.173
Total	**6.139.476**	**7.001.537**	**707.626**	**13.848.639**

31 December 2014	**Corporate**	**Commercial & SME**	**Retail**	**Total**
Deposit	420.066	1.060.769	44.948	1.525.783
Mortgage	1.925.419	3.569.506	451.813	5.946.738
Assignment of claim	894.983	468.569	-	1.363.552
Cheque	274.724	984.970	-	1.259.694
Pledge of vehicle	85.935	62.735	23.804	172.474
Total	**3.601.127**	**6.146.549**	**520.565**	**10.268.241**

Represents the amounts of the exposures covered by these collaterals.

The details of the loans and advances past due but not impaired which are classified under the performing loans are as follows;

Information on past due but not impaired loan and other receivables:

31 December 2015	**Corporate**	**Commercial & SME**	**Retail**	**Total**
Not past due and 30 days past due	10.182.432	8.939.833	2.082.798	21.205.063
30-60 days past due	-	119.885	71.460	191.345
60-90 days past due	-	63.810	47.160	110.970
Total	**10.182.432**	**9.123.528**	**2.201.418**	**21.507.378**

31 December 2014	**Corporate**	**Commercial & SME**	**Retail**	**Total**
Not past due and 30 days past due	7.807.258	8.012.946	1.537.266	17.357.470
30-60 days past due	40.470	265.699	51.591	357.760
60-90 days past due	1.868	101.495	36.279	139.642
Total	**7.849.596**	**8.380.140**	**1.625.136**	**17.854.872**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Sectoral Risk Breakdown of Financial Instruments

The Bank uses BRSA definitions for the economic sectors in order to be able to make comparisons with the banking sector wide figures. These definitions are also in line with NACE (European Classification of Economic Activities) classifications which are used within the EU. Through the credit policy, the Board of Directors sets the sectoral limits on lending, and these limits can only be altered by a decision from the Board of Directors. Sectoral classification is defined in terms of the borrower’s activity area, not based on collaterals.

December 31, 2015

	Central Banks and Central Governments	Agriculture	Construction	Financial Institutions	Manufacturing	Wholesale and retail trade	Professional services	Individuals	Total
Cash and balances with central bank	4.074.584	-	-	-	-	-	-	-	4.074.584
Due from banks	-	-	-	4.164.935	-	-	-	-	4.164.935
Trading securities – debt securities	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	18	6.379	48.466	18.673	6.776	-	20.601	100.913
Financial assets at fair value through profit and loss	-	-	-	24.812	-	-	-	-	24.812
Investment securities – available for sale securities	1.097.178	-	-	-	-	-	-	-	1.097.178
Investment securities – held-to-maturity securities	364.449	-	-	-	-	-	-	-	364.449
As of December 31, 2015	**5.536.211**	**18**	**6.379**	**4.189.747**	**18.673**	**6.776**	**-**	**20.601**	**9.826.871**

December 31, 2014

	Central Banks and Central Governments	Agriculture	Construction	Financial Institutions	Manufacturing	Wholesale and retail trade	Proffessional services	Individuals	Total
Cash and balances with central bank	2.830.662	-	-	-	-	-	-	-	2.830.662
Due from banks	-	-	-	3.256.976	-	-	-	-	3.256.976
Trading securities – debt securities		-	-	-	-	-	-	-	-
Derivative financial instruments	-	560	5.047	23.334	5.909	460	-	8.647	43.957
Financial assets at fair value through profit and loss		-	-	3.157	-	-	-	-	3.157
Investment securities – available for sale securities	863.054	-	-	-	-	-	-	-	863.054
Investment securities – held-to-maturity securities	300.091	-	-	-	-	-	-	-	300.091
As of December 31, 2014	**3.993.807**	**560**	**5.047**	**3.283.467**	**5.909**	**460**	**-**	**8.647**	**7.297.897**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Sectoral risk breakdown of cash and non-cash loans of the Bank are as follows;

December 31, 2015

	Cash Loans	Non-Cash Loans
EPC (*)	5.435.912	562.675
Others in Manufacturing Industry	3.047.754	111.611
Electric & Gas & Water Resources	2.061.060	46.106
Retail	2.059.225	-
Wholesale & Retail	2.020.070	190.587
Tourism, Food And Beverage Industry	2.009.518	4.874
Transportation, Storage & Communication	1.227.019	37.910
Real Estate	1.145.672	51.666
Other Services	1.106.945	17.977
Mining Industry	678.813	3.017
Farming, Forest And Hunting	337.736	10.211
Others	326.788	6.028
Finance	251.106	26.243
Social Service And Health Services	-	943
Education	-	306
Fishing	-	3.000
Total	**21.707.618**	**1.073.154**

(*) Engineering, Procurement and Construction

December 31, 2014

	Cash Loans	Non-Cash Loans
Real Estate	3.173.043	-
Others in Manufacturing Industry	2.279.010	360.784
Retail	1.621.920	41.876
Transportation, Storage & Communication	1.212.315	99.953
Tourism	998.075	-
EPC (*)	913.611	424.753
Textile	822.783	-
Metal Industry	806.911	-
Electric & Gas & Water Resources	680.546	99.798
Shopping Mall / Commercial Units	675.195	-
Wholesale & Retail	645.723	287.162
Food And Beverage Industry	616.111	-
Real Estate Dealing	613.988	-
Social Service And Health Services	462.816	25.973
Machinery And Equipment	363.067	-
Other Services	350.799	-
Mining Industry	304.612	-
Finance	287.563	7.384
Education	225.284	82.328
Farming, Forest And Hunting	194.044	20.494
Other Personel Services	174.082	-
Others	513.667	41.780
Fishing	16.510	-
Total	**17.951.675**	**1.492.285**

(*) Engineering, Procurement and Construction

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Rating of debt securities:

	December 31, 2015			December 31, 2014		
Moody's credit rating model	**Trading securities**	**Available for Sale**	**Held-to Maturity**	**Trading securities**	**Available for Sale**	**Held-to Maturity**
Financial assets:						
A1	-	5.285	-	-	-	-
Baa3	24.812	619.040	364.449	3.157	485.884	300.091
B2	-	472.853	-	-	377.170	-
Total	**24.812**	**1.097.178**	**364.449**	**3.157**	**863.054**	**300.091**

B. Market risk

The Bank has defined market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" which was published in the Official Gazette on June 28, 2012 numbered 28337 and "Regulation Regarding Banks' Shareholders' Equity".

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

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to risk calculated by using the standard is taken into consideration.

The major measurement techniques used to measure and control market risk are outlined below.

(a) Value-at-risk

The Bank applies a VaR methodology to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The VaR limits are set by the Board of Directors and revised every year according to the budget and strategic plan of the Bank. VaR limit compliance is monitored by Risk Management on a daily basis.

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions are investigated, and results are reported to the monthly Asset Liability Committee ("ALCO") meetings.

Bank's VaR by risk type

	12 months to reporting date (2015)			12 months to reporting date (2014)		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Foreign exchange risk	7.941	21.644	165	5.604	16.781	1.645
Interest rate risk of securities	12.095	16.169	8.832	6.457	8.055	4.316
Option risk	972	3.957	307	441	746	155
Counterparty risk	19.813	32.511	10.674	7.917	12.484	3.716
Total VaR	**40.821**	**56.293**	**29.100**	**20.419**	**33.232**	**14.457**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the market risk policy of the Bank, include: FX and interest rate stress testing, where stress movements are applied to the FX position and to the banking book. The results of the stress tests are reviewed by ALCO.

i) Foreign exchange risk

Foreign currency risk indicates the probability of loss that the Banks is 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 Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The table below summarizes the Bank's assets and liabilities at carrying amounts, categorized by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

December 31, 2015

				Foreign currency
	EUR	**USD**	**Other**	**Total**
Assets				
Cash and balances with central banks	29.782	3.511.658	3.559	3.544.999
Due from banks	17.311	16.865	1.696	35.872
Money market placements	-	-	-	-
Financial assets held for trading(*)				
- Trading securities	-	-	-	-
- Derivative financial instruments	-	-	-	-
Loans and advances to customers	4.857.612	7.598.420	-	12.456.032
Investment securities				
- Available-for-sale	5.285	620.032	-	625.317
- Held-to-maturity	-	364.449	-	364.449
Other intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Deferred income tax assets	-	-	-	-
Assets held for resale	-	-	-	-
Other assets	7.170	58.881	-	66.051
Total assets	**4.917.160**	**12.170.305**	**5.255**	**17.092.720**
Liabilities				
Deposits	6.097.427	9.633.373	34.125	15.764.925
Debt securities issued, subordinated loans and due to banks	704.869	2.816.508	43.751	3.565.128
Miscellaneous Payables	38	151	2	191
Derivative financial instruments	-	-	-	-
Other liabilities	7.542	7.205	290	15.037
Total liabilities	**6.809.876**	**12.457.237**	**78.168**	**19.345.281**
Capital Contribution	-	873.420	-	873.420
Net balance sheet position	**(1.892.716)**	**(1.160.352)**	**(72.913)**	**(3.125.981)**
Off-balance sheet derivative instruments net notional position	2.253.564	914.718	73.216	3.241.498
Net foreign currency position	**360.848**	**(245.634)**	**303**	**115.517**

(*) Market to market on Derivative financial assets / liabilities have not been included in the net balance sheet position.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014

				Foreign currency
	EUR	**USD**	**Other**	**Total**
Assets				
Cash and balances with central banks	24.949	2.445.264	1.541	2.471.754
Due from banks	3.006	141.881	703	145.590
Money market placements	-	-	-	-
Financial assets held for trading				
- Trading securities	-	1.379	-	1.379
- Derivative financial instruments	-	-	-	-
Loans and advances to customers	3.437.008	5.720.406	-	9.157.414
Investment securities				
- Available-for-sale	-	377.170	-	377.170
- Held-to-maturity	-	300.091	-	300.091
Other intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Deferred income tax assets	-	-	-	-
Other assets	28.592	8.539	-	37.131
Total assets	**3.493.555**	**8.994.730**	**2.244**	**12.490.529**
Liabilities				
Deposits	3.945.503	7.502.880	7.628	11.456.011
Debt securities issued, subordinated loans and due to banks	306.197	1.415.567	34.254	1.756.018
Derivative financial instruments	-	-	-	-
Other liabilities	24.885	8.970	5	33.860
Total liabilities	**4.276.585**	**8.927.417**	**41.887**	**13.245.889**
Capital Contribution	-	699.480	-	699.480
Net balance sheet position	**(783.030)**	**(632.167)**	**(39.643)**	**(1.454.840)**
Off-balance sheet derivative instruments net notional position	788.435	383.711	66.500	1.238.646
Net foreign currency position	**5.405**	**(248.456)**	**26.857**	**(216.194)**

At December 31, 2015, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL 2,9114 = USD 1, and TL 3,1691= EUR 1

For the purpose of calculating currency risks, foreign currency indexed loans and securities have been reported in this table in the relevant currency of indexation.

Currency risk sensitivity:

The table below represents the sensitivity of the Bank to 10% change of currency exchange rates (USD and EUR). 10% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

	December 31, 2015		**December 31, 2014**	
Change in currency exchange rate	**Profit/loss effect (1)**		**Profit/loss effect (1)**	
	EUR	**USD**	**EUR**	**USD**
(+) 10%	36.085	(24.564)	541	(24.846)
(-) 10%	(36.085)	24.564	(541)	24.846

(1) Excluding tax effect.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

ii) Interest rate risk

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

Risk Management Group performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank monitors maturity mismatches very closely a significant interest rate risk exposure is not expected.

The table below summarizes the Bank's exposure to interest rate risk at December 31, 2015. Included in the table are the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

December 31, 2015	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	3.937.140	-	-	-	137.444	4.074.584
Due from banks	-	-	-	-	103.739	103.739
Money market placements	4.061.196	-	-	-	-	4.061.196
Financial assets at fair value through profit or loss	37.792	41.271	21.325	25.337	-	125.725
Loans and advances to customers	8.769.918	6.500.236	4.674.337	1.562.886	200.241	21.707.618
Investment securities						
- Available-for-sale	463.283	628.610	-	-	5.285	1.097.178
- Held-to-maturity	-	-	364.449	-	-	364.449
Other intangible assets	-	-	-	-	99.028	99.028
Property and equipment	-	-	-	-	142.902	142.902
Deferred income tax assets	-	-	-	-	60.625	60.625
Assets held for sale	-	-	-	-	29.879	29.879
Other assets	-	-	-	-	136.382	136.382
Total assets	**17.269.329**	**7.170.117**	**5.060.111**	**1.588.223**	**915.525**	**32.003.305**
Liabilities						
Deposits	23.338.995	611.715	4.325	-	1.378.461	25.333.496
Funds obtained under repurchase agreements	156.858	-	-	-	-	156.858
Debt securities issued, subordinated loans and due to banks	1.807.879	862.064	284.872	770.438	-	3.725.253
Derivative financial instruments	63.280	61.650	16.265	1.524	-	142.719
Current income taxes payable	-	-	-	-	-	-
Other liabilities and equity	-	-	-	-	2.644.979	2.644.979
Total liabilities and equity	**25.367.012**	**1.535.429**	**305.462**	**771.962**	**4.023.440**	**32.003.305**
Net interest repricing gap	**(8.097.683)**	**5.634.688**	**4.754.649**	**816.261**	**(3.107.915)**	**-**
Off-balance sheet derivative instruments long position	8.949.936	3.434.632	2.187.155	818.828	-	15.390.551
Off-balance sheet derivative Instruments short position	(9.020.181)	(3.488.817)	(2.183.467)	(818.828)	-	(15.511.293)

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	302.555	-	-	-	2.528.107	2.830.662
Due from banks	1.004.428	-	-	-	16.860	1.021.288
Money market placements	2.235.688	-	-	-	-	2.235.688
Financial assets at fair value through profit or loss	22.946	14.015	5.094	5.059	-	47.114
Loans and advances to customers	6.643.666	5.938.515	3.952.861	1.319.830	96.803	17.951.675
Investment securities						
- Available-for-sale	362.049	82.212	41.623	377.170	-	863.054
- Held-to-maturity	-	-	300.091	-	-	300.091
Other intangible assets	-	-	-	-	57.442	57.442
Property and equipment	-	-	-	-	116.962	116.962
Deferred income tax assets	-	-	-	-	30.165	30.165
Assets held for sale	-	-	-	-	6.132	6.132
Other assets	-	-	-	-	114.036	114.036
Total assets	**10.571.332**	**6.034.742**	**4.299.669**	**1.702.059**	**2.966.507**	**25.574.309**
Liabilities						
Deposits	19.403.695	378.908	3.587	-	1.274.850	21.061.040
Funds obtained under repurchase agreements	138.889	-	-	-	-	138.889
Debt securities issued, subordinated loans and due to banks	1.049.022	325.102	117.400	410.737	-	1.902.261
Derivative financial instruments	31.686	11.581	6.564	832	-	50.663
Current income taxes payable	-	-	-	-	4.090	4.090
Other liabilities and equity	-	-	-	-	2.417.366	2.417.366
Total liabilities and equity	**20.623.292**	**715.591**	**127.551**	**411.569**	**3.696.306**	**25.574.309**
Net interest repricing gap	**(10.051.960)**	**5.319.151**	**4.172.118**	**1.290.490**	**(729.799)**	**-**
Off-balance sheet derivative instruments long position	5.812.657	1.320.579	1.901.511	353.216	-	9.387.953
Off-balance sheet derivative Instruments short position	(5.848.183)	(1.386.234)	(1.941.168)	(258.204)	-	(9.433.789)

The interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method.

Below table summarizes the economic value differences resulting from interest rate volatility calculated according to the Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method of BRSA. As of December 31, 2015, 500 bp/400 bp shock and 200bp shock are applied for Turkish Lira and foreign currency respectively for the assessment of the changes in the fair value of balance sheet items which are subject to calculation.

December 31, 2015:

Unit of Currency	Applicable Shock (+ / - base point)	Profit/ Loss	Profit / Regulatory Equity Capital – Loss / Regulatory Equity Capital
TL	500	(369.108)	(13,73)%
	(400)	356.882	13,28%
EUR	200	(21.722)	(0,81)%
	(200)	(459)	(0,02)%
USD	200	(47.030)	(1,75)%
	(200)	(27.570)	(1,03)%
Total (For Positive Shock)		(437.860)	(16,29)%
Total (For Negative Shock)		328.853	12,24%

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

December 31, 2014:

Unit of Currency	Applicable Shock (+ / - base point)	Profit/ Loss	Profit / Regulatory Equity Capital – Loss / Regulatory Equity Capital
TL	500	(314.870)	(12,97)%
	(400)	299.075	12,32%
EUR	200	(11.655)	(0,48)%
	(200)	148	0,01%
USD	200	9.870	0,41%
	(200)	(100.425)	(4,14)%
Total (For Positive Shock)		(316.655)	(13,04)%
Total (For Negative Shock)		198.798	8,19%

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at December 31, 2015 based on yearly contractual rates.

	December 31, 2015		
	EUR (%)	**USD (%)**	**TL (%)**
Assets			
Cash and balances with central banks	-	0,28	5,45
Due from banks	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	10,37
Money Market Placements	-	-	10,75
Investment securities			
- Available-for-sale	-	6,19	9,74
- Held-to-maturity	-	3,52	-
Loans and advances to customers	5,61	6,26	14,74
Liabilities			
Bank deposits	2,12	2,30	6,52
Customer deposits	2,19	2,36	12,36
Money Market Borrowings	-	-	7,24
Debt securities issued and due to banks	2,13	2,08	6,70
Subordinated Loans	-	6,50	-

C. Liquidity risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank’s policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the maturity and interest rate structure of assets, and liabilities is always monitored. A positive difference is tried to be established between the yields of assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by Risk Management Group are presented to Senior Management and Audit Committee.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by diversified and steady base deposits and in addition to this source, it makes use of pre-financing and other institutional funding and borrowings syndication products to generate additional sources.

The following table presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, which include interest to be paid at maturity, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

December 31, 2015

	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities						
Deposits	1.378.461	23.461.601	618.778	4.457	-	25.463.297
Debt securities issued, subordinated loans and due to banks	-	2.019.376	916.013	339.993	1.065.814	4.341.196
Money market borrowings	-	157.026	-	-	-	157.026
Total liabilities	**1.378.461**	**25.638.003**	**1.534.791**	**344.450**	**1.065.814**	**29.961.519**

December 31, 2014

	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities						
Deposits	1.274.850	20.217.861	399.757	3.709	-	21.896.177
Debt securities issued, subordinated loans and due to banks	-	1.066.674	328.895	145.447	431.284	1.972.300
Money market borrowings	-	139.264	-	-	-	139.264
Total liabilities	**1.274.850**	**21.423.799**	**728.652**	**149.156**	**431.284**	**24.007.741**

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2015						
Gross settled- both legs buy and sell						
Foreign exchange forward contracts	1.634.972	1.076.593	927.425	672	-	3.639.662
Currency swaps	5.514.190	3.501.742	3.056.019	898.203	-	12.970.154
Interest rate swap agreement	1.437.382	419.348	2.506.452	1.037.086	-	5.400.268
Foreign currency sell and buy options	3.623.239	2.155.862	2.344.575	93.906	-	8.217.582
Interest rate options	-	-	-	-	456.508	456.508
Total	**12.209.783**	**7.153.545**	**8.834.471**	**2.029.867**	**456.508**	**30.684.174**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2014						
Gross settled- both legs buy and sell						
Foreign exchange forward contracts	710.187	258.338	371.737	-	-	1.340.262
Currency swaps	3.325.934	2.073.516	456.365	284.696	-	6.140.511
Interest rate swap agreement	10.322	-	256.150	2.107.634	223.788	2.597.894
Foreign currency sell and buy options	4.317.239	970.310	1.383.571	22.487	-	6.693.607
Interest rate options	-	-	238.982	1.422.862	387.632	2.049.476
Total	**8.363.682**	**3.302.164**	**2.706.805**	**3.837.679**	**611.420**	**18.821.750**

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

D. Operational risk

Operational risk is defined as the risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Legal and compliance risk is a sub-category of operational risk: it is the risk to negatively impact the earnings from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards. Operational Risk Management department ("ORM") monitors the Bank's operational risk exposure in accordance to standards and policies, collects operational risk data in a web-based database, performs the risk indicators' identification, the scenario analysis assessment, Business Continuity Management and assures the quality of data gathered in accordance to Basel II standards, proposes insurance hedging on operational risks and prepares risk mitigation plans. ORM performs second level controls, manages and measures the Bank's operational risks.

For regulatory purposes and consideration in statutory capital adequacy ratio, the Bank calculates the amount subject to operational risk with the basic indicator method in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 28337 dated June 28, 2012.

The value at operational risk is calculated according to the basic indicator approach of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross income	61.830	188.661	589.769	280.086	15	42.013
The amount subject to operational risk (Total*12,5)(*)						525.163

E. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-statement of financial position exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 12%.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

The Bank's regulatory capital adequacy position at December 31, 2015 was as follows:

	December 31, 2015	December 31, 2014
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	1.682.332	1.377.249
Capital requirement for market risk (II) (Value at Market Risk*0.08) (MRCR)	38.990	21.417
Capital requirement for operational risk (III) (ORCR)	42.013	18.787
Shareholders' Equity[(1)]	2.687.249	2.427.261
Shareholders' Equity/((CRCR+MRCR+ORCR) * 12.5) * 100	**12,19**	**13,70**

(1) The Bank has classified the subordinated loans obtained from its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million respectively which were previously recognized as Tier II capital in the account of additional Tier I capital. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the types of both loans were changed to perpetual and interest-free. As of April 1, 2014 including of the both loans to account of additional Tıer I capital was approved by BRSA.

F. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheets at their fair values at December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:	**27.334.180**	**27.646.472**	**22.371.796**	**23.077.000**
Due from banks and money market placements	4.164.935	4.164.935	3.256.976	3.256.976
Loans and advances to customers	21.707.618	22.024.099	17.951.675	18.655.195
Available-For-Sale Financial Assets	1.097.178	1.097.178	863.054	863.054
Held-To-Maturity Investments	364.449	360.260	300.091	301.775
Financial liabilities:	**29.215.607**	**29.004.843**	**23.102.190**	**22.993.046**
Deposits	25.333.496	25.335.828	21.061.040	21.036.562
Debt securities issued, repurchase agreements, subordinated loans and due to banks	3.882.111	3.669.015	2.041.150	1.956.484

4. Financial risk management (continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values.

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar currency and remaining maturity to determine their fair value. The credit risk is not considered when calculating the fair value of loans and advances to customers as in line with the pricing of such loans.

ii. Financial liabilities:

The discount rate used to calculate the fair value of deposits and funds borrowed as of December 31, 2015 is the current market rates available for the borrowing and deposits types with similar currency and maturity.

Investment securities

Fair value for held-to-maturity securities is based on market prices or prices prevailing at the statement of financial position date announced by the BIST.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial investments - available-for-sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4. Financial risk management (continued)

Determination of fair value and fair value hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Assets and liabilities measured at fair value

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
- Debt securities	24.812	-	-	24.812
- Equity securities	-	-	-	-
- Derivatives	-	100.913	-	100.913
Available-for-sale financial assets				
- Investments securities – debt	1.091.893	-	-	1.091.893
- Investments securities – equity	-	-	5.285	5.285
Total assets	**1.116.705**	**100.913**	**5.285**	**1.222.903**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	142.719	-	142.719
Total liabilities	**-**	**142.719**	**-**	**142.719**

December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
- Debt securities	3.157	-	-	3.157
- Equity securities	-	-	-	-
- Derivatives	-	43.957	-	43.957
Available-for-sale financial assets	-	-	-	
- Investments securities - debt	863.054	-	-	863.054
- Investments securities - equity	-	-	-	-
Total assets	**866.211**	**43.957**	**-**	**910.168**
Financial liabilities at fair value through profit or loss				
- Derivatives	-	50.663	-	50.663
Total liabilities	**-**	**50.663**	**-**	**50.663**

There are no transfers between the first and the second levels in the current year.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5. Cash and balances with central banks

Cash and Balances with the Central Bank of Turkey:

	December 31, 2015	December 31, 2014
TL	529.585	358.908
Foreign currency	3.544.999	2.471.754
Total	**4.074.584**	**2.830.662**

Cash and cash equivalents for the purpose of presentation in the statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	137.330	113.236
Current account balances with the Central Bank	456.383	302.102
Loans and advances to banks, excluding accrued interest (with original maturity less than 90 days) (included in due from banks),	44.711	1.020.725
Reverse repos, excluding accrued interest (included in money market placements)	4.060.000	2.235.000
Total	**4.698.424**	**3.671.063**

The reserve requirements are promulgated by communiqués issued by the Central Bank of Turkey (“the Central Bank”).

In accordance with the declaration by the T.C. Central Bank on March 10, 2015 numbered 2015-19, as of the February 27, 2015 obligation schedule, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11.5% depending on the maturity of deposits (December 31, 2014 – 5% to 11.5%) and the compulsory rates for the foreign currency liabilities are within an interval from 9% to 13% depending on the maturity of deposits (December 31, 2014 – 6% to 13%), the Banks shall book required reserves at the rate of 5% to 11,5% depending on the structure of the maturity for non-deposit Turkish Lira obligations (December 31, 2014 – 5% to 11.5%) and at the rate of 5% to 25% depending on the structure of the maturity for non-deposit foreign currency obligations (December 31, 2014 – 6% to 18%), which they need to hold as required reserve in the account of the Central Bank of the Republic of Turkey.

Starting from November 2014, the Central Bank of the Republic of Turkey started to pay interest on the TL portion of Reserve Requirements and also interest payment is started on the FC portion of Reserve Requirements starting from May 2015.

(Amounts expressed in thousands of TL unless otherwise indicated.)

6. Due from banks

			December 31, 2015
	Domestic	**Foreign**	**Total**
TL:			
Nostro/ demand deposits	-	-	-
Time deposits	114	-	114
Interbank money market and reverse repo	4.061.196	-	4.061.196
Total	**4.061.310**	**-**	**4.061.310**
Foreign currency:			
Nostro/ demand deposits (*)	-	103.625	103.625
Time deposits	-	-	-
Total	**-**	**103.625**	**103.625**

(*) As of December 31, 2015, nostro/ demand deposits includes collaterals amounting to TL 67.753 given to the foreign banks for the derivative transactions.

			December 31, 2014
	Domestic	**Foreign**	**Total**
TL:			
Nostro/ demand deposits	-	-	-
Time deposits	866.973	-	866.973
Interbank money market and reverse repo	2.235.688	-	2.235.688
Total	**3.102.661**	**-**	**3.102.661**
Foreign currency:			
Nostro/ demand deposits (*)	-	16.750	16.750
Time deposits	137.565	-	137.565
Total	**137.565**	**16.750**	**154.315**

(*) As of December 31, 2014, nostro/ demand deposits includes collaterals amounting to TL 8.725 given to the foreign banks for the derivative transactions.

7. Financial assets at fair value though profit or loss

	December 31, 2015	**December 31, 2014**
Derivative financial instruments	100.913	43.957
Financial assets held for trading	24.812	3.157
Total financial assets held for trading	**125.725**	**47.114**

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Derivative financial instruments

The Bank utilizes the following derivative instruments with the general purpose of minimising market risk carried by balance sheet instruments and/or meeting customer demand:

“Currency forwards” represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Forwards are customized contracts transacted in over-the-counter (OTC) market. The Bank has credit exposure to the counterparties of forward contracts.

“Currency and interest rate swaps” are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Bank’s credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market.

“Options” are contractual agreements that convey the right to the buyer and the obligations to the writer to buy or sell an asset at a specified price either at a fixed future date or at any time within a specified period. Major part of the Bank’s option book activity stems from the clients’ needs; therefore to meet the client demands Bank actively runs an option book on the residual open positions which are not fully covered.

December 31, 2015

	Contract/ notional amount (aggregate of buy and sell)	**Fair values Assets**	**Fair values Liabilities**
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	3.639.662	24.056	13.328
Currency swaps	12.970.154	34.906	86.600
Currency options	8.217.582	23.700	37.894
Total foreign exchange derivatives	**24.827.398**	**82.662**	**137.822**
Interest rate derivatives:			
Interest rate swaps	5.400.268	18.251	4.897
Options	456.508	-	-
Total interest rate derivatives	**5.856.776**	**18.251**	**4.897**
Other derivatives	**-**	**-**	**-**
Total derivative assets/ (liabilities) held for trading	**30.684.174**	**100.913**	**142.719**

(Amounts expressed in thousands of TL unless otherwise indicated.)

8. Derivative financial instruments (continued)

December 31, 2014

	Contract/ notional amount (aggregate of buy and sell)	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	1.340.262	5.746	7.612
Currency swaps	6.140.511	13.432	14.263
Currency options	6.693.607	15.527	23.157
Total foreign exchange derivatives	**14.174.380**	**34.705**	**45.032**
Interest rate derivatives:			
Interest rate swaps	2.597.894	7.999	4.378
Options	2.049.476	1.253	1.253
Total interest rate derivatives	**4.647.370**	**9.252**	**5.631**
Other derivatives	**-**	**-**	**-**
Total derivative assets/ (liabilities) held for trading	**18.821.750**	**43.957**	**50.663**

9. Loans and advances to customers

December 31, 2015

	Corporate	Commercial & SME	Retail	Total
Performing loans	10.182.432	8.939.833	2.082.798	21.205.063
Watch listed loans	-	183.695	118.620	302.315
Impaired loans	16.632	338.172	133.123	487.927
Gross	**10.199.064**	**9.355.508**	**2.440.733**	**21.995.305**
Loan Loss Provision	27.728	121.754	138.205	287.687
Specific allowance for impairment	12.739	115.246	60.449	188.434
Collective allowance for impairment	14.989	15.725	68.539	99.253
Net	**10.171.336**	**9.233.754**	**2.302.528**	**21.707.618**

(Amounts expressed in thousands of TL unless otherwise indicated.)

9. Loans and advances to customers (continued)

December 31, 2014

	Corporate	Commercial & SME	Retail	Total
Performing loans	7.807.258	8.012.946	1.537.266	17.357.470
Watch listed loans	42.338	367.194	87.870	497.402
Impaired loans	12.877	160.357	90.941	264.175
Gross	**7.862.473**	**8.540.497**	**1.716.077**	**18.119.047**
Loan Loss Provision	8.727	87.778	70.866	167.371
Specific allowance for impairment	2.139	72.015	33.433	107.587
Collective allowance for impairment	6.588	15.763	37.433	59.785
Net	**7.853.746**	**8.452.719**	**1.645.211**	**17.951.675**

Loans and advances to the public sector and private sector are as follows:

	December 31, 2015	December 31, 2014
Public sector	-	-
Private sector	21.707.618	17.951.675
Total	**21.707.618**	**17.951.675**

Movements in the provision for loan losses are as follows:

	December 31, 2015	December 31, 2014
1 January,	**167.371**	**35.369**
Additions	270.589	131.703
Collections	(16.320)	5.809
Write-offs and sales(*)	(133.953)	(5.510)
Total	**287.687**	**167.371**

(*) As of December 31, 2015 with the decision of Board of Directors and in accordance with laws of "Regulations of Provisions", fully provisioned uncollateralized retail loans amounting to TL 45.618 have been derecognized from balance sheet through write off procedures (December 31, 2014: TL 5.510).

The Bank completed to transfer previously written off and provision at the rate of 100% non performing loans of TL 35.326 to Sumer Varlık (Asset Management Company) on June 24, 2015 for TL 3.800, TL 47.786 to Turkasset Varlık (Asset Management Company) on September 30, 2015 for TL 6.749 and TL 29.148 to Turkasset Varlık (Asset Management Company) on December 23, 2015 for TL 4.757.

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Investment securities

Securities available-for-sale

	December 31, 2015	**December 31, 2014**
Debt securities - at fair value:		
Turkish Government bonds and treasury bills	471.861	485.884
Lebanese Government Eurobonds and treasury bills	620.032	377.170
Share Certificates	5.285	-
Equity securities - at fair value	-	-
Listed	-	-
Unlisted	-	-
Total securities available-for-sale	**1.097.178**	**863.054**

As of December 31, 2015 available-for-sale pledged as collateral and also subject to repurchase agreement amount to TL 285.673 (December 31, 2014: TL 344.841).

The movement in available-for-sale securities at during the years is as follows:

	December 31, 2015	**December 31, 2014**
At January 1	**863.054**	**942.532**
Additions	5.285	381.409
Disposals / redemption	-	(469.279)
Interest accruals and changes in fair value	3.900	8.392
Foreign currency differences	224.939	-
At December 31	**1.097.178**	**863.054**

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Investment securities (continued)

Securities held-to-maturity

	December 31, 2015	December 31, 2014
Debt securities - at amortized cost - listed:		
Turkish Government Eurobonds and treasury bills	364.449	300.091
Government bonds and treasury bills sold under repurchase agreements	-	-
Eurobonds sold under repurchase agreement	-	-
Foreign government bonds	-	-
Total securities held-to-maturity	**364.449**	**300.091**

As of December 31, 2015 there is no held to maturity pledged as collateral and also subject to repurchase agreement.

The movement in held-to-maturity securities during the years is as follows:

	December 31, 2015	December 31, 2014
At January 1	**300.091**	**-**
Additions	-	300.091
Redemptions	-	-
Transfers	-	-
Foreign currency differences	64.358	-
At December 31	**364.449**	**300.091**

11. Property and equipment

	December 31, 2015	December 31, 2014
Cost	217.407	155.528
Accumulated depreciation and impairment(-)	74.505	38.566
Net book amount	**142.902**	**116.962**

(Amounts expressed in thousands of TL unless otherwise indicated.)

11. Property and equipment (continued)

December 31, 2015	Land and buildings	Office equipment	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At January 1	9.174	53.129	17.192	76.033	155.528
Additions	-	26.389	7.874	27.616	61.879
At December 31	**9.174**	**79.518**	**25.066**	**103.649**	**217.407**
Accumulated depreciation and impairment					
At January 1	(397)	(16.014)	(5.315)	(16.840)	(38.566)
Depreciation charge (Note 24)	(183)	(13.199)	(4.581)	(17.976)	(35.939)
At December 31	**(580)**	**(29.213)**	**(9.896)**	**(34.816)**	**(74.505)**
Net book amount at December 31	**8.594**	**50.305**	**15.170**	**68.833**	**142.902**

December 31, 2014	Land and buildings	Office equipment	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At January 1	9.174	42.570	13.514	52.538	117.796
Additions	-	10.559	3.678	23.495	37.732
At December 31	**9.174**	**53.129**	**17.192**	**76.033**	**155.528**
Accumulated depreciation and impairment					
At January 1	(214)	(6.960)	(2.042)	(4.142)	(13.358)
Depreciation charge (Note 24)	(183)	(9.054)	(3.273)	(12.698)	(25.208)
At December 31	**(397)**	**(16.014)**	**(5.315)**	**(16.840)**	**(38.566)**
Net book amount at December 31	**8.777**	**37.115**	**11.877**	**59.193**	**116.962**

12. Intangible assets

	December 31, 2015	December 31, 2014
Cost	138.376	78.102
Accumulated amortization(-)	39.348	20.660
Net book amount	**99.028**	**57.442**

(Amounts expressed in thousands of TL unless otherwise indicated.)

12. Intangible assets (continued)

Movements of other intangible assets were as follows:

December 31, 2015	Rights and licenses	Software	Total
Cost			
At January 1	1.129	76.973	78.102
Additions	-	60.274	60.274
At December 31, 2015	**1.129**	**137.247**	**138.376**
Accumulated amortization			
At January 1	(281)	(20.379)	(20.660)
Amortization charge (Note 24)	(71)	(18.617)	(18.688)
At December 31, 2015	**(352)**	**(38.996)**	**(39.348)**
Net book amount at December 31, 2015	**777**	**98.251**	**99.028**

December 31, 2014	Rights and licenses	Software	Total
Cost			
At January 1	1.129	55.174	56.303
Additions	-	21.799	21.799
At December 31, 2014	**1.129**	**76.973**	**78.102**
Accumulated amortization			
At January 1	(107)	(7.950)	(8.057)
Amortization charge (Note 24)	(174)	(12.429)	(12.603)
At December 31, 2014	**(281)**	**(20.379)**	**(20.660)**
Net book amount at December 31, 2014	**848**	**56.594**	**57.442**

(Amounts expressed in thousands of TL unless otherwise indicated.)

13. Other assets and Current Assets Held for Resale

	December 31, 2015	December 31, 2014
Settlement accounts	41.197	32.977
Prepaid expenses (*)	37.438	45.641
Advances and deposits given	29.637	25.529
Credit card receivables	5.108	-
Others	23.002	9.889
Total	**136.382**	**114.036**

(*) Prepaid expenses mainly constitute prepaid rents, charges and other items.

Assets held for sale represent mainly foreclosed assets received against uncollectible loans and advances to customers, to be sold as required by the Turkish Banking Law. These assets mainly consist of real-estate. The Bank's policy is to dispose of these assets within five years in accordance with Turkish Banking Law. Movements in assets held for resale during the years, were as follows:

	December 31, 2015	December 31, 2014
Cost		
At January 1	6.132	-
Additions	23.747	6.132
Disposals	-	-
Translation differences	-	-
At December 31	**29.879**	**6.132**
Impairment		
At January 1	**-**	**-**
Reversal of impairment for the year, net	-	-
At December 31	**-**	**-**
Net book amount at December 31	**29.879**	**6.132**

(Amounts expressed in thousands of TL unless otherwise indicated.)

14. Deposits

	December 31, 2015	December 31, 2014
Customer deposits	24.329.021	20.432.800
Fiduciary and bank deposits	1.004.475	628.240
Total Deposits	**25.333.496**	**21.061.040**

December 31,2015	DEMAND			TIME			
	TL	FC	Total	TL	FC	Total	Grand Total
Corporate	242.499	359.711	602.210	1.005.661	4.655.386	5.661.047	6.263.257
Retail	92.773	229.181	321.954	6.738.599	6.833.159	13.571.758	13.893.712
Commercial and SME	256.938	197.184	454.122	1.246.149	2.471.846	3.717.995	4.172.117
Customer Deposits	**592.210**	**786.076**	**1.378.286**	**8.990.409**	**13.960.391**	**22.950.800**	**24.329.086**
Fiduciary and Bank Deposits	**175**	**-**	**175**	**-**	**1.004.235**	**1.004.235**	**1.004.410**
Grand Total	**592.385**	**786.076**	**1.378.461**	**8.990.409**	**14.964.626**	**23.955.035**	**25.333.496**

December 31,2014	DEMAND			TIME			
	TL	FC	Total	TL	FC	Total	Grand Total
Corporate	132.948	509.481	642.429	1.395.538	3.113.572	4.509.110	5.151.539
Retail	37.128	90.048	127.176	5.570.903	5.638.689	11.209.592	11.336.767
Commercial and SME	305.046	200.199	505.245	1.623.466	1.815.782	3.439.248	3.944.494
Customer Deposits	**475.122**	**799.728**	**1.274.850**	**8.589.907**	**10.568.043**	**19.157.950**	**20.432.800**
Fiduciary and Bank Deposits	**97**	**-**	**97**	**45.733**	**582.410**	**628.143**	**628.240**
Grand Total	**475.219**	**799.728**	**1.274.947**	**8.635.640**	**11.150.453**	**19.786.093**	**21.061.040**

(Amounts expressed in thousands of TL unless otherwise indicated.)

15. Debt securities issued, subordinated loans, due to banks and funds obtained under repurchase agreements

	December 31, 2015	December 31, 2014
Subordinated loan (a)	436.789	353.655
Due to banks (b)	3.133.469	1.411.123
Debt Securities Issued (c)	154.995	137.483
Funds provided under repurchase agreement (d)	156.858	138.889
Total	**3.882.111**	**2.041.150**

(15-a) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(15-b) Information on due to banks:

a) Information on banks and other financial institutions:

	December 31, 2015			December 31, 2014		
	TL	**FC**	**Total**	**TL**	**FC**	**Total**
From Domestic Banks and Institutions	5.130	39.792	44.922	8.760	13.683	22.443
From Foreign Banks, Institutions and Funds	-	3.088.547	3.088.547	-	1.388.680	1.388.680
Total	**5.130**	**3.128.339**	**3.133.469**	**8.760**	**1.402.363**	**1.411.123**

b) Maturity analysis of borrowings:

	December 31, 2015			December 31, 2014		
	TL	**FC**	**Total**	**TL**	**FC**	**Total**
Short-term	4.666	1.822.297	1.826.963	6.721	771.114	777.835
Medium and long-term	464	1.306.042	1.306.506	2.039	631.249	633.288
Total	**5.130**	**3.128.339**	**3.133.469**	**8.760**	**1.402.363**	**1.411.123**

(15-c) In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 160.160, January 18, 2016 and with a simple interest rate of 10.75 % on July 24, 2015 sold to qualified investors in the domestic market.

(15-d) As of December 31, 2015, the Bank has also Funds provided under repurchase agreements amounting to TL 156.858 (December 31, 2014: TL 138.889).

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation

	December 31, 2015	December 31, 2014
Current tax income/expense	(36.013)	(18.501)
Deferred tax income	20.359	8.183
Tax income/(expense)	**(15.654)**	**(10.318)**
Income taxes currently payable	42.489	18.501
Prepaid taxes	(42.504)	(14.411)
Income taxes payable/(receivable)	**(15)**	**4.090**

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated June 21, 2006, corporation tax is payable at the rate of 20% effective from January 1, 2006 on the total income of the entities in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or kept in a special fund for 5 years in accordance with the New Corporate Tax Law.

Under the Turkish taxation system, tax losses can be carried forward for offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and if they find any corrections then the tax amount to be paid might be changed as well.

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation (continued)

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Bank and the actual taxation charge for the year is stated below:

	December 31, 2015	December 31, 2014
Profit/(loss) before income taxes	**78.272**	**48.043**
Theoretical income tax at the applicable tax rate of 20%	15.648	9.609
Effect of different tax rates in other countries	-	-
Non-taxable consolidation adjustments	-	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses for tax purposes	6	709
Tax income/(expense)	**15.654**	**10.318**

Deferred income taxes

For the Bank, deferred income taxes are calculated on temporary differences that are expected to be realized or settled under the liability method using a principal tax rate of 20% at December 31, 2015.

The deferred income tax assets and liabilities represent the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return in accordance with the applicable tax law plus any available tax loss carried forward from previous years.

The temporary differences giving rise to the deferred income tax assets and deferred income tax liabilities are as follows:

	Cumulative Temporary Differences	Deferred Tax Asset/ Liability	Cumulative Temporary Differences	Deferred Tax Asset/ Liability
	December 31, 2015	December 31, 2015	December 31, 2014	December 31, 2014
Allowance for unused vacation and other short term employee benefits	55.331	11.067	41.918	8.384
Net Book Value and Tax Value Differences of Financial Assets and derivative financial liabilities	162.062	32.412	66.786	13.357
Deferred Commissions	67.422	13.484	55.605	11.121
Tax Losses	-	-	-	-
Collective Provisions	99.253	19.851	59.785	11.957
Other	56.459	11.292	2.507	501
Deferred income tax assets	**440.527**	**88.106**	**226.601**	**45.320**
Net Book Value and Tax Value Differences of derivative financial assets	100.913	20.183	46.136	9.227
Difference between carrying value and tax base of property and equipment	29.862	5.972	26.247	5.249
Other	6.100	1.326	2.441	679
Deferred income tax liabilities	**136.875**	**27.481**	**74.824**	**15.155**
Deferred income tax assets, net	**303.652**	**60.625**	**151.777**	**30.165**

(Amounts expressed in thousands of TL unless otherwise indicated.)

16. Taxation (continued)

The movements of net deferred income taxes during the years were as follows:

	December 31, 2015	December 31, 2014
Balance at January 1	**30.165**	**23.452**
(Charge) / credit for the year, net	20.359	**8.183**
Available-for-sale revaluation reserve	10.101	(1.470)
Balance at December 31	**60.625**	**30.165**

There are no deductible temporary differences for which no deferred tax asset is recognized in the statement of financial position.

Income tax effects relating to components of other comprehensive income

	December 31, 2015		
	Before tax amount	Tax (expense) benefit	Net-of tax amount
Fair value gains on available-for- sale financial assets	(50.503)	10.101	(40.402)
Other comprehensive income/(loss) for the year (net presentation)	**(50.503)**	**10.101**	**(40.402)**

	December 31, 2014		
	Before tax amount	Tax (expense) benefit	Net-of tax amount
Fair value gains on available-for- sale financial assets	7.347	(1.470)	5.877
Other comprehensive income/(loss) for the year (net presentation)	**7.347**	**(1.470)**	**5.877**

17. Employee benefits

	December 31, 2015	December 31, 2014
Employee termination benefit provision	4.983	2.689
Unused vacation provision	5.163	3.614
Personnel premium	44.477	35.615
Total of provision for employee benefits	**54.623**	**41.918**

(Amounts expressed in thousands of TL unless otherwise indicated.)

17. Employee benefits (continued)

Reserve for employment termination benefits

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, who dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The principal actuarial assumptions used at the dates of financial position are as follows:

	December 31, 2015	December 31, 2014
Discount rate in real terms	3,24%	3,24%
Interest rate	8,04%	8,04%
Estimated salary/ Employee termination benefit increase rate	5,00%	5,00%

18. Other liabilities and accrued expenses

	December 31, 2015	December 31, 2014
Cheques in clearance	68.374	62.344
Unearned commissions	67.422	55.605
Taxes payable to banking operations	45.090	35.033
Social security duties	2.886	2.262
Due to national institute for guarantee of deposits	2.904	2.067
Miscellaneous payables	62.878	73.491
Total	**249.554**	**230.802**

(Amounts expressed in thousands of TL unless otherwise indicated.)

19. Share capital

As of December 31, 2015 the historic amount of paid-in share capital of the Bank consists of 1.496.150.000 authorized shares with a nominal value of TL 1 each.

The issued and fully paid-in share capital and share premium are as follows:

	December 31, 2015		December 31, 2014	
Shareholders	**Participation rate (%)**	**TL**	**Participation rate (%)**	**TL**
Audi sal	93,827	1.403.787	93,827	1.403.787
Audi Private Bank sal	6,062	90.698	6,062	90.698
Raymond W. AUDI	0,037	555	0,037	555
Samir N. HANNA	0,037	555	0,037	555
Freddie C. BAZ	0,037	555	0,037	555
Historical share capital	**100,00**	**1.496.150**	**100,00**	**1.496.150**
Total share capital	**100,00**	**1.496.150**	**100,00**	**1.496.150**

The subordinated loans obtained from its controlling shareholder Bank Audi sal amounting to USD 100 million and USD 200 million are classified (Total TL 873.420) as a capital contribution by shareholders. Pursuant to the resolution taken by the Board of Directors of Odea Bank and Article 7 of the Regulation on Equity of Banks, the types of both loans were changed to perpetual and interest-free.

20. Other Reserves

	December 31, 2015	December 31, 2014
Statutory reserve	-	-
Revaluation reserve - available-for-sale investments	(43.071)	(2.669)
Total other reserves	**(43.071)**	**(2.669)**

Under the Turkish Commercial Code (TCC), the Bank is required to create the following legal reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless the reserve exceeds 50% of paid-in share capital.

(Amounts expressed in thousands of TL unless otherwise indicated.)

21. Net interest income

	December 31, 2015	December 31, 2014
Interest & similar income		
Loans and advances to customers	1.948.124	1.413.098
Reverse repurchase agreements	191.093	96.648
Due from banks & financial institutions	93.076	44.432
AFS financial assets	77.737	76.125
Other interest & similar income	60.608	27.874
Cash and balances with Central Banks	15.173	881
Financial assets classified at amortized cost	13.070	6.349
Financial assets held at fair value through profit and loss	2.043	278
Total interest & similar income	**2.400.924**	**1.665.685**
Interest & similar expense on:		
Customers deposits	1.269.788	994.688
Other interest and similar charges	289.403	88.842
Due to banks and financial institutions	45.909	22.797
Subordinated loans and similar debts	26.653	12.034
Debt issued & other borrowed funds	18.685	11.697
Repurchase agreement	12.056	16.334
Total interest & similar expense	**(1.662.494)**	**(1.146.392)**
Net interest income	**738.430**	**519.293**

22. Net fee and commission income

	December 31, 2015	December 31, 2014
Fee and commission income on:		
General banking income	13.032	5.368
Brokerage and Custody Income	2.719	1.710
Trade Finance Income	25.116	15.788
Electronic Cards	30.088	21.256
Insurance Income	5.884	5.966
Corporate Finance	39.687	6.303
Other Fees and commissions	9.226	524
Total fee and commission income	**125.752**	**56.915**
Fee and commission expense on:		
General banking expense	(5.718)	(1.499)
Electronic cards	(11.920)	(8.809)
Other	(9.880)	(4.280)
Total fee and commission expense	**(27.518)**	**(14.588)**
Net fee and commission income	**98.234**	**42.327**

(Amounts expressed in thousands of TL unless otherwise indicated.)

23. Net trading and fair value income and net gains / losses from investment securities

	December 31, 2015	December 31, 2014
Net trading and fair value gains and losses (*)	44.005	11.074
Foreign exchange gains/losses (*)	(20.042)	(5.887)
Treasury Bills and Bonds	(1.910)	19.762
Total	**22.053**	**24.949**

(*) Foreign exchange gains/losses include the spot legs of forward contracts and options in addition to the translated foreign currency assets and liabilities.

24. Other operating expenses

	December 31, 2015	December 31, 2014
Personnel expenses	**251.722**	**203.303**
Salaries and related benefits	201.819	164.647
Food and Beverage	5.009	4.095
Medical and life insurance	6.391	4.064
Social and regulatory expenses	17.915	14.082
Training and Seminars	2.199	1.107
Transportation	14.303	12.085
Charges for end of service benefits	2.294	1.565
Other staff expenses	1.792	1.658
Other operating expenses	**222.329**	**160.330**
Buildings rental and related expenses	60.390	37.160
Maintenance Machines and Material	3.228	1.253
Insurance premiums	1.470	953
Advertising fees	36.077	28.327
Telephone and mailing expenses	10.644	7.903
Subscription to communication services	3.534	2.531
Office supplies	3.547	2.683
Information technology	30.163	18.180
Professional and outsourcing fees	25.017	21.475
Regulatory fees	9.333	6.246
Taxes and similar disbursements	10.851	10.738
Credit cards expenses	7.269	7.896
Premium for guarantee of deposits	10.625	7.322
Other expenses	10.181	7.663
Depreciation of property & equipment	**35.939**	**25.208**
Amortization of intangible assets	**18.688**	**12.603**
Total	**528.678**	**401.444**

(Amounts expressed in thousands of TL unless otherwise indicated.)

25. Commitments and contingent liabilities

In the normal course of its activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities.

Legal proceedings

As of the balance sheet date, there are no lawsuits filed against the Bank and for which provision has been booked due to their likelihood of being lost. The Bank has not any contingent liability with a high probability of realization regarding continuing lawsuits.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

December 31, 2015(*)	**Indefinite**	**Not later than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letter of credits	-	480.011	-	-	480.011
Letter of guarantees	-	1.748.730	-	-	1.748.730
Acceptance credits	-	68.037	-	-	68.037
Other commitments	-	-	-	-	-
Total	**-**	**2.296.778**	**-**	**-**	**2.296.778**

December 31, 2014(*)	**Indefinite**	**Not later than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letter of credits	-	431.685	-	-	431.685
Letter of guarantees	-	1.005.914	-	-	1.005.914
Acceptance credits	-	54.686	-	-	54.686
Other commitments	-	-	-	-	-
Total	**-**	**1.492.285**	**-**	**-**	**1.492.285**

(*) Based on original maturities.

(Amounts expressed in thousands of TL unless otherwise indicated.)

25. Commitments and contingent liabilities (continued)

Assets Under Management

Assets under management include client assets managed or deposited with the Bank, where, the client decides how these assets are to be invested.

As of December 31, 2015, assets under management comprise of mutual funds and bills and bonds amounting TL 214.652 (December 31, 2014: TL 295.403).

26. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Bank Audi.

A number of transactions were entered into with related parties in the normal course of business,

(i) Balances with related parties:

	December 31, 2015	December 31, 2014
Other related parties		
Deposits	749.101	583.474
Direct and indirect shareholders of the Bank		
Deposits	298.961	-
Direct and indirect shareholders of the Bank		
Debt securities and other funds borrowed	742.407	586.814
Total liabilities	**1.790.469**	**1.170.288**
Other related parties		
Credit related commitments	480	787
Direct and indirect shareholders of the Bank		
Commitment under derivative instruments	-	-
Credit related commitments	16.290	18.221
Total commitments and contingent liabilities	**16.770**	**19.008**

(ii) Transactions with related parties:

	December 31, 2015	December 31, 2014
Total interest and fee income	**-**	**-**
Interest expense on deposits	19.576	11.484
Interest expense on derivative transactions	-	-
Interest expense on debt securities and other funds borrowed	32.190	23.050
Total interest and fee expense	**51.766**	**34.534**

(iii) Balances with directors and other key management personnel:

Gross payment made to the executive management in 2015 is TL 23.046.

27. Subsequent events

In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 101.420, maturity on July 15, 2016 and with a simple interest rate of 11.68 % on January 18, 2016 sold to qualified investors in the domestic market.

Pursuant to the approval of BRSA dated 8 December 2015, The Bank, on 1 March 2016, converted into TL the capital contribution which were obtained from its controlling shareholder Bank Audi sal amounting to total USD 300 million, and completed the necessary legal and administrative procedures with the relevant authorities to add the funds to the paid in capital on 31 March 2016.