

FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE PERIOD ENDED JUNE 30, 2016

**(Convenience translation of consolidated financial statements and independent
auditor's audit report originally issued in Turkish, See Note I. of Section three)**

(Convenience translation of the independent auditor’s report originally issued in Turkish, See Note I. of Section three)

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Finansbank A.Ş.

Introduction

We have reviewed the consolidated balance sheet of Finansbank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) at June 30, 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Basis of Qualified Conclusion

As at June 30, 2016 the accompanying consolidated financial statements include a general reserve amounting to TL 100.000 thousands provided by the Bank Management considering the future possible effects of the developments in the economy and the markets out of which TL 82.000 thousands had been provided in 2014 and TL 36.000 and TL 46.000 thousands have been reversed in the second and third quarters of 2015 respectively.

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the qualified conclusion basis of paragraph on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Finansbank A.Ş. at June 30, 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the consolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation., accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Damla Harman
SMMM, Partner

July 29, 2016
İstanbul, Türkiye

**THE CONSOLIDATED FINANCIAL REPORT OF FINANSBANK A.Ş.
FOR THE SIX-MONTH PERIOD JUNE 30, 2016**

The Parent Bank's;
Address of the Head Office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule binası No:215, Şişli/İSTANBUL
Phone number : (0212) 318 50 00
Facsimile number : (0212) 318 58 50
Web page : www.finansbank.com.tr
E-mail address : investor.relations@finansbank.com.tr

The consolidated financial report for the six-month period ended June 30, 2016, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- CONSOLIDATED INTERIM ACTIVITY REPORT

Within the context of this financial report for the six-month period ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

Subsidiaries

1. Finans Finansal Kiralama Anonim Şirketi
2. Finans Yatırım Menkul Değerler Anonim Şirketi
3. Finans Porföy Yönetimi Anonim Şirketi
4. Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi

Entities Under Common Control (Joint Ventures)

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

Structured Entity

1. Bosphorus Financial Services Limited
2. Istanbul Bond Company S.A.

The consolidated financial statements and related disclosures and footnotes for the six-month period ended June 30, 2016, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TL)** and have been subject to independent limited review.

Ömer A. Aras
Chairman of
the Board of Directors

Ali Teoman Kerman
Member of the Board of
Directors and Chairman of the
Audit Committee

Ramzi T.A. Mari
Member of the Board of
Directors and of the
Audit Committee

Fatma Abdulla S.S. Al-Suwaidi
Member of the Board of
Directors and of the
Audit Committee

Temel Güzeloğlu
General Manager and
Member of the
Board of Directors

Adnan Menderes Yayla
Executive Vice President Responsible
of Financial Control and Planning

Ercan Sakarya
Division Manager of Financial,
Statutory Reporting and Treasury
Control

Information related to the responsible personnel to whom the questions about the financial statements can be communicated:

Name - Surname/Title : Ercan Sakarya / Division Manager of Financial, Statutory Reporting and Treasury Control
Phone Number : (0 212) 318 52 92
Facsimile Number : (0 212) 318 55 78

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(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Parent Bank

Finansbank Anonim Şirketi (the Bank and/or the Parent Bank) was incorporated in Istanbul on September 23, 1987. The Parent Bank's shares have been listed on the Borsa Istanbul ("BIST") (formerly known as Istanbul Stock Exchange ("ISE")) since the first public offering on 1990.

II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, and Information About the Controlling Group of the Parent Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associates of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

99,84% of shares of Finansbank A.Ş. are controlled by Qatar National Bank as of June 30, 2016 and remaining 0,16% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is the biggest bank of Middle East and North Africa Regions with respect to total assets, total credits and total deposits as well as being the biggest bank of Qatar. QNB has been traded at Qatar Stock Exchange since 1997.

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FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

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

III. Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information About the Parent Bank Shares They Hold and Their Responsibilities

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman	April 16, 2010	Masters
Prof. Dr. Mustafa Aydın Aysan	Board Member	March 9, 1993	Phd
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Fatma Abdulla S.S. Al- Suwaidi	Board Member and Audit Committee Member	June 23, 2016	Masters
Doç. Dr. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ramzi Talat A. Mari (*)	Board Member	June 16, 2016	Masters
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Ali Rashid A.S.Al-Mohannadi (**)	Board Member	June 16, 2016	Graduate
Ali Teoman Kerman	Board Member and Head of Audit Committee	April 16, 2013	Masters
Grant Eric Lowen	Board Member	June 23, 2016	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Filiz Sonat	Executive Vice President	September 19,2007	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Onur Özkan	Executive Vice President	May 14, 2015	Masters
Elsa Pekmez Atan	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay (***)	Executive Vice President	February 12, 2016	Graduate
Engin Turhan (****)	Executive Vice President	June 14,2016	Masters
Ahmet Erzenin	Head of the Department of Internal Control and Compliance	September 12,2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6,2013	Graduate
Ersin Emir	Head of Internal Audit	February 18,2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16,2011	Masters

(*) Ramzi Talat A. Mari has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 18, 2016.

(**) Ali Rashid A.S Al-Mohannadi has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 29, 2016.

(***) As of February 12, 2016, Emel Yılmaz Özbay has been appointed as Executive Vice President responsible of Legal Department.

(****) As of June 14, 2016 Engin Turhan has been assigned as Deputy General Manager responsible for Commercial Banking and Project Funding..

The top level ma(nagement listed above possesses immaterial number of shares of the Parent Bank.

IV. Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank (“QNB”)	2.995.059	%99,84	2.995.059	-
Other	4.941	%0,16	4.941	-

V. Explanations on the Parent Bank’s Services and Activities

The Parent Bank’s activities include trade finance and corporate banking, treasury, retail banking and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of June 30, 2016, the Parent Bank operates through 628 domestic (December 31, 2015 - 640), 1 foreign (December 31, 2015 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2015 - 1) branches. As of June 30 2016, the Group has 13.248 employees (31 December 2015 - 13.432 employees)

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or not Subject to any of These Three Methods

Parent Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in joint ventures are not consolidated to accompanying financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

Bosphorus Financial Services Limited and İstanbul Bond Company S.A., which are not subsidiaries of the Bank, but over which the Bank has 100% controlling power due to the reason that these companies are "Structured Entities", have been included in the scope of consolidation.

VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts Between Parent the Parent Bank and Its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Commitments and Contingencies
- III. Consolidated Income Statement (Statement of Income / Loss)
- IV. Consolidated Statement of Profit and Loss Accounted for Under Equity (Statement of Other Comprehensive Income and Loss)
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2016
(STATEMENT OF FINANCIAL POSITION)

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

		Reviewed 30.06.2016			Audited 31.12.2015			
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.799.683	11.056.182	12.855.865	2.088.093	7.908.952	9.997.045
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	1.587.791	320.594	1.908.385	2.115.453	253.235	2.368.688
2.1	Financial assets held for trading		1.553.842	320.594	1.874.436	2.068.099	253.235	2.321.334
2.1.1	Public sector debt securities		49.973	8.223	58.196	67.569	4.853	72.422
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		1.484.768	312.371	1.797.139	1.988.998	248.382	2.237.380
2.1.4	Other securities		19.101	-	19.101	11.532	-	11.532
2.2	Financial assets at fair value through profit and loss		33.949	-	33.949	47.354	-	47.354
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		33.949	-	33.949	47.354	-	47.354
2.2.4	Other securities		-	-	-	-	-	-
III.	BANKS	(3)	68.419	308.722	377.141	10.345	307.794	318.139
IV.	MONEY MARKET PLACEMENTS		109.772	-	109.772	87.711	-	87.711
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		109.772	-	109.772	87.711	-	87.711
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(4)	3.792.797	2.634.708	6.427.505	3.383.136	1.912.514	5.295.650
5.1	Equity securities		4.099	35.019	39.118	4.098	-	4.098
5.2	Public sector debt securities		3.788.401	2.566.648	6.355.049	3.378.323	1.880.669	5.258.992
5.3	Other securities		297	33.041	33.338	715	31.845	32.560
VI.	LOANS AND RECEIVABLES	(5)	49.466.210	10.438.417	59.904.627	47.152.143	9.910.052	57.062.195
6.1	Loans and receivables		48.660.484	10.438.417	59.098.901	46.399.263	9.910.052	56.309.315
6.1.1	Loans to risk group of the Bank		85	-	85	-	-	-
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		48.660.399	10.438.417	59.098.816	46.399.263	9.910.052	56.309.315
6.2	Non-performing loans		3.952.128	-	3.952.128	3.814.659	-	3.814.659
6.3	Specific provisions (-)		3.146.402	-	3.146.402	3.061.779	-	3.061.779
VII.	FACTORING RECEIVABLES	(6)	617.912	32.163	650.075	544.992	26.734	571.726
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(7)	3.108.590	1.368.714	4.477.304	3.009.964	863.950	3.873.914
8.1	Public sector debt securities		3.108.590	513.334	3.621.924	3.009.964	110.652	3.120.616
8.2	Other securities		-	855.380	855.380	-	753.298	753.298
IX.	INVESTMENT IN ASSOCIATES (Net)	(8)	3.766	-	3.766	3.766	-	3.766
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	INVESTMENT IN SUBSIDIARIES (Net)	(9)	18.054	-	18.054	18.054	-	18.054
10.1	Unconsolidated financial investments		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054	18.054	-	18.054
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(10)	99.459	-	99.459	106.027	-	106.027
11.1	Equity method entities under common control		96.659	-	96.659	103.227	-	103.227
11.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
11.2.1	Financial investments		-	-	-	-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(11)	960.889	1.157.205	2.118.094	823.804	1.113.148	1.936.952
12.1	Financial lease receivables		1.197.710	1.278.843	2.476.553	1.016.018	1.234.822	2.250.840
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		236.821	121.638	358.459	192.214	121.674	313.888
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(12)	2.457.446	21.634	2.479.080	3.219.905	19.104	3.239.009
13.1	Fair value hedge		1.786.292	21.634	1.807.926	2.292.114	18.069	2.310.183
13.2	Cash flow hedge		671.154	-	671.154	927.791	1.035	928.826
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1.578.051	26	1.578.077	1.581.501	8	1.581.509
XV.	INTANGIBLE ASSETS (Net)		277.277	-	277.277	270.040	-	270.040
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		277.277	-	277.277	270.040	-	270.040
XVI.	INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
XVII.	TAX ASSETS	(13)	43.124	-	43.124	107.789	-	107.789
17.1	Current tax assets		642	-	642	6.846	-	6.846
17.2	Deferred tax assets		42.482	-	42.482	100.943	-	100.943
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(14)	-	-	-	-	-	-
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(15)	1.382.795	349.031	1.731.826	1.081.061	129.791	1.210.852
			-	-	-	-	-	-
	TOTAL ASSETS		67.372.035	27.687.396	95.059.431	65.603.784	22.445.282	88.049.066

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2016
(STATEMENT OF FINANCIAL POSITION)

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

	Section 5 Part II	Reviewed 30.06.2016			Audited 31.12.2015		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	30.096.936	22.863.037	52.959.973	28.787.585	19.523.692	48.311.277
1.1 Deposits from risk group of the Bank		143.748	40.358	184.106	217.793	52.457	270.250
1.2 Other		29.953.188	22.822.679	52.775.867	28.569.792	19.471.235	48.041.027
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.368.621	342.883	1.711.504	1.882.909	273.555	2.156.464
III. FUNDS BORROWED	(3)	426.302	7.061.059	7.487.361	501.930	5.564.127	6.066.057
IV. MONEY MARKET BORROWINGS		3.638.441	2.685.418	6.323.859	2.951.341	1.857.920	4.809.261
4.1 Interbank money markets takings		770.000	-	770.000	-	-	-
4.2 Istanbul Stock Exchange money markets takings		151.895	-	151.895	147.173	-	147.173
4.3 Funds provided under repurchase agreements	(4)	2.716.546	2.685.418	5.401.964	2.804.168	1.857.920	4.662.088
V. SECURITIES ISSUED (Net)	(5)	1.293.504	3.736.496	5.030.000	841.151	4.985.836	5.826.987
5.1 Bills		1.181.603	30.041	1.211.644	770.076	-	770.076
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		111.901	3.706.455	3.818.356	71.075	4.985.836	5.056.911
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. SUNDRY CREDITORS		2.166.771	2.745.223	4.911.994	2.061.023	3.462.407	5.523.430
VIII. OTHER LIABILITIES	(6)	1.526.763	205.948	1.732.711	1.003.771	165.549	1.169.320
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(7)	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred financial lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(8)	382.167	376.314	758.481	60.229	223.215	283.444
11.1 Fair value hedge		17.635	280.262	297.897	-	178.808	178.808
11.2 Cash flow hedge		364.532	96.052	460.584	60.229	44.407	104.636
11.3 Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(9)	1.808.919	-	1.808.919	1.777.641	-	1.777.641
12.1 General provisions		1.243.900	-	1.243.900	1.190.403	-	1.190.403
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		236.894	-	236.894	250.505	-	250.505
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		328.125	-	328.125	336.733	-	336.733
XIII. TAX LIABILITY	(10)	20.078	-	20.078	57.581	-	57.581
13.1 Current tax liability		20.078	-	20.078	57.581	-	57.581
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(12)	-	2.649.930	2.649.930	-	2.662.119	2.662.119
XVI. SHAREHOLDERS' EQUITY		9.879.747	(215.126)	9.664.621	9.583.782	(178.297)	9.405.485
16.1 Paid-in capital	(13)	3.000.000	-	3.000.000	3.000.000	-	3.000.000
16.2 Capital reserves		(175.264)	(215.126)	(390.390)	(29.747)	(178.297)	(208.044)
16.2.1 Share premium	(14)	714	-	714	714	-	714
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund	(15)	(19.260)	(163.743)	(183.003)	(65.962)	(178.297)	(244.259)
16.2.4 Revaluation fund on tangible assets		-	-	-	-	-	-
16.2.5 Revaluation fund on intangible assets		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-	-	-	-
16.2.8 Hedging funds (effective portion)		(111.044)	(51.383)	(162.427)	81.175	-	81.175
16.2.9 Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		(45.674)	-	(45.674)	(45.674)	-	(45.674)
16.3 Profit reserves		6.423.851	-	6.423.851	5.621.561	-	5.621.561
16.3.1 Legal reserves		487.422	-	487.422	451.979	-	451.979
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		5.936.429	-	5.936.429	5.169.582	-	5.169.582
16.3.4 Other profit reserves		-	-	-	-	-	-
16.4 Profit or loss		623.846	-	623.846	802.739	-	802.739
16.4.1 Prior years' income/ (losses)		54.653	-	54.653	138.389	-	138.389
16.4.2 Current period income/ (loss)		569.193	-	569.193	664.350	-	664.350
16.5 Minority shares		7.314	-	7.314	189.229	-	189.229
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		52.608.249	42.451.182	95.059.431	49.508.943	38.540.123	88.049.066

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2016**

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

	Section 5 Part III	Reviewed 30.06.2016			Audited 31.12.2015		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		98.133.328	86.056.596	184.189.924	101.092.734	99.496.711	200.589.445
I. GUARANTEES	(1), (2), (3),(4)	7.734.322	5.626.561	13.360.883	6.009.442	4.466.384	10.475.826
1.1. Letters of guarantee		6.723.153	3.156.663	9.879.816	5.981.355	3.047.590	9.028.945
1.1.1. Guarantees subject to State Tender Law		267.413	32.077	299.490	294.530	30.894	325.424
1.1.2. Guarantees given for foreign trade operations		3.426.876	3.124.586	6.551.462	3.171.512	3.016.696	6.188.208
1.1.3. Other letters of guarantee		3.028.864	-	3.028.864	2.515.313	-	2.515.313
1.2. Bank loans		7.497	1.213.835	1.221.332	23.085	772.477	795.562
1.2.1. Import letter of acceptance		7.497	1.213.835	1.221.332	23.085	772.477	795.562
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		5.000	1.129.380	1.134.380	5.002	646.317	651.319
1.3.1. Documentary letters of credit		5.000	967.865	972.865	5.002	628.377	633.379
1.3.2. Other letters of credit		-	161.515	161.515	-	17.940	17.940
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		998.672	126.683	1.125.355	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	38.498.311	6.505.622	45.003.933	35.030.262	727.276	35.757.538
2.1. Irrevocable commitments		37.882.963	6.388.074	44.271.037	33.929.719	663.627	34.593.346
2.1.1. Forward asset purchase commitments		1.171.446	5.790.303	6.961.749	190.701	612.957	803.658
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		17.083.171	289	17.083.460	14.364.712	291	14.365.003
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2.746.274	-	2.746.274	2.558.758	-	2.558.758
2.1.8. Tax and fund liabilities from export commitments		8.611	-	8.611	8.479	-	8.479
2.1.9. Commitments for credit card expenditure limits		16.343.878	-	16.343.878	16.255.578	-	16.255.578
2.1.10. Commitments for promotions related with credit cards and banking activities		36.221	-	36.221	34.278	-	34.278
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		493.362	597.482	1.090.844	517.213	50.379	567.592
2.2. Revocable commitments		615.348	117.548	732.896	1.100.543	63.649	1.164.192
2.2.1. Revocable loan granting commitments		508.267	-	508.267	1.100.543	63.649	1.164.192
2.2.2. Other revocable commitments		107.081	117.548	224.629	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	51.900.695	73.924.413	125.825.108	60.053.030	94.303.051	154.356.081
3.1. Derivative financial instruments for hedging purposes		17.649.954	18.216.343	35.866.297	14.891.873	21.742.737	36.634.610
3.1.1. Fair value hedge		4.047.796	10.776.167	14.823.963	4.300.297	13.464.154	17.764.451
3.1.2. Cash flow hedge		13.602.158	7.440.176	21.042.334	10.591.576	8.278.583	18.870.159
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		34.250.741	55.708.070	89.958.811	45.161.157	72.560.314	117.721.471
3.2.1. Forward foreign currency buy/sell transactions		3.049.078	3.559.394	6.608.472	3.972.761	4.554.462	8.527.223
3.2.1.1. Forward foreign currency transactions-buy		1.989.924	1.320.008	3.309.932	2.602.412	1.664.211	4.266.623
3.2.1.2. Forward foreign currency transactions-sell		1.059.154	2.239.386	3.298.540	1.370.349	2.890.251	4.260.600
3.2.2. Swap transactions related to foreign currency and interest rates		24.668.759	43.473.016	68.141.775	36.000.372	58.282.028	94.282.400
3.2.2.1. Foreign currency swap-buy		11.459.301	17.105.410	28.564.711	15.893.629	25.523.970	41.417.599
3.2.2.2. Foreign currency swap-sell		13.163.182	15.354.378	28.517.560	19.805.147	21.605.030	41.410.177
3.2.2.3. Interest rate swaps-buy		23.138	5.506.614	5.529.752	150.798	5.576.514	5.727.312
3.2.2.4. Interest rate swaps-sell		23.138	5.506.614	5.529.752	150.798	5.576.514	5.727.312
3.2.3. Foreign currency, interest rate and securities options		6.532.904	7.884.936	14.417.840	5.187.300	8.443.962	13.631.292
3.2.3.1. Foreign currency options-buy		3.291.060	3.940.782	7.231.842	2.727.400	4.088.589	6.815.989
3.2.3.2. Foreign currency options-sell		3.241.844	3.944.154	7.185.998	2.459.930	4.355.373	6.815.303
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		-	81.792	81.792	694	32.026	32.720
3.2.4.1. Foreign currency futures-buy		-	40.896	40.896	347	16.013	16.360
3.2.4.2. Foreign currency futures-sell		-	40.896	40.896	347	16.013	16.360
3.2.5. Interest rate futures		-	-	-	-	535.474	535.474
3.2.5.1. Interest rate futures-buy		-	-	-	-	267.737	267.737
3.2.5.2. Interest rate futures-sell		-	-	-	-	267.737	267.737
3.2.6. Other		-	708.932	708.932	-	712.362	712.362
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		518.738.210	79.891.971	598.630.181	470.326.939	83.259.316	553.586.255
IV. ITEMS HELD IN CUSTODY		41.865.977	2.633.026	44.499.003	21.826.403	2.674.784	24.501.187
4.1. Assets under management		3.977.735	195	3.977.930	5.435.302	195	5.435.497
4.2. Investment securities held in custody		18.166.542	677.457	18.843.999	196.455	815.520	1.011.975
4.3. Checks received for collection		3.129.414	396.541	3.525.955	2.640.870	375.448	3.016.318
4.4. Commercial notes received for collection		893.112	175.133	1.068.245	781.303	158.196	939.499
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		15.699.174	1.383.700	17.082.874	12.772.473	1.325.425	14.097.898
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		294.747.524	43.537.350	338.284.874	274.029.387	44.825.851	318.855.238
5.1. Marketable securities		944.510	3.323.814	4.268.324	889.715	3.510.280	4.399.995
5.2. Guarantee notes		202.097	58.149	260.246	202.830	56.171	259.001
5.3. Commodity		60.951	-	60.951	62.871	-	62.871
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		75.131.703	23.088.536	98.220.239	68.856.288	23.649.829	92.506.117
5.6. Other pledged items		218.408.263	17.066.851	235.475.114	204.017.683	17.609.571	221.627.254
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		182.124.709	33.721.595	215.846.304	174.471.149	35.758.681	210.229.830
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		616.871.538	165.948.567	782.820.105	571.419.673	182.756.027	754.175.700

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(STATEMENT OF INCOME/LOSS)**

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

III. CONSOLIDATED INCOME STATEMENT

	Section 5 Part IV.	Reviewed 01.01 - 30.06.2016	Reviewed 01.04 - 30.06.2016	Reviewed 01.01 - 30.06.2015	Reviewed 01.04 - 30.06.2015
I. INTEREST INCOME	(1)	4.342.317	2.217.209	3.689.552	1.909.996
1.1 Interest on loans		3.735.129	1.913.514	3.149.652	1.619.143
1.2 Interest received from reserve deposits		25.353	12.768	7.067	4.183
1.3 Interest received from banks		5.633	3.620	2.779	1.462
1.4 Interest received from money market placements		24.746	11.491	43.437	29.184
1.5 Interest received from marketable securities portfolio		399.970	198.964	371.909	198.247
1.5.1 Held-for-trading financial assets		2.666	571	1.369	946
1.5.2 Financial assets at fair value through profit and loss		2.627	1.174	5.328	2.447
1.5.3 Available-for-sale financial assets		227.947	115.199	207.694	109.310
1.5.4 Investments held-to-maturity		166.730	82.020	157.518	85.544
1.6 Finance lease income		99.255	51.079	79.639	41.388
1.7 Other interest income		52.231	25.773	35.069	16.389
II. INTEREST EXPENSE	(2)	2.157.432	1.066.011	1.811.050	921.186
2.1 Interest on deposits		1.694.117	832.109	1.339.478	683.020
2.2 Interest on funds borrowed		185.269	98.302	159.650	84.660
2.3 Interest on money market borrowings		104.099	54.671	107.185	54.817
2.4 Interest on securities issued		163.639	79.438	196.917	97.403
2.5 Other interest expense		10.308	1.491	7.820	1.286
III. NET INTEREST INCOME (I - II)		2.184.885	1.151.198	1.878.502	988.810
IV. NET FEES AND COMMISSIONS INCOME		701.985	363.832	697.092	347.330
4.1 Fees and commissions received		868.213	449.542	812.279	406.965
4.1.1 Non-cash loans		33.634	17.518	28.300	14.308
4.1.2 Other		834.579	432.024	783.979	392.657
4.2 Fees and commissions paid		166.228	85.710	115.187	59.635
4.2.1 Non-cash loans		935	463	720	325
4.2.2 Other		165.293	85.247	114.467	59.310
V. DIVIDEND INCOME	(3)	81	79	57	57
VI. NET TRADING INCOME	(4)	(362.028)	(201.096)	(263.211)	(138.796)
6.1 Securities trading gains/ (losses)		15.424	3.687	12.399	(182)
6.2 Gains / (losses)Financial derivative transactions		(391.546)	(239.091)	(254.403)	(152.108)
6.3 Foreign exchange gains/ (losses)		14.094	34.308	-21.207	13.494
VII. OTHER OPERATING INCOME	(5)	283.193	258.629	235.498	71.508
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		2.808.116	1.572.642	2.547.938	1.268.909
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	622.949	339.444	551.538	270.674
X. OTHER OPERATING EXPENSES (-)	(7)	1.475.861	743.809	1.384.329	719.289
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		709.306	489.389	612.071	278.946
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		(6.568)	(3.113)	(5.935)	(3.785)
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	702.738	486.276	606.136	275.161
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)	(131.887)	(86.861)	(110.283)	(48.014)
16.1 Current income tax charge		(28.521)	(23.876)	(125.022)	(79.254)
16.2 Deferred tax charge / benefit		(103.366)	(62.985)	14.739	31.240
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	570.851	399.415	495.853	227.147
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income on assets held for sale		-	-	-	-
18.2 Income on sale of associates, subsidiaries and entities under common control		-	-	-	-
18.3 Income on other discontinued operations		-	-	-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1 Loss from assets held for sale		-	-	-	-
19.2 Loss on sale of associates, subsidiaries and entities under common control		-	-	-	-
19.3 Loss from other discontinued operations		-	-	-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)	-	-	-	-
XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(9)	-	-	-	-
21.1 Current income tax charge		-	-	-	-
21.2 Deferred tax charge / benefit		-	-	-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	570.851	399.415	495.853	227.147
23.1 Group's profit/loss		569.193	399.303	487.813	223.188
23.2 Minority shares		1.658	112	8.040	3.959
Earnings per share		0,01897	0,01331	0,01626	0,00744

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016
(STATEMENT OF OTHER COMPREHENSIVE INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Reviewed 01.01 – 30.06.2016	Reviewed 01.01 – 30.06.2015
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	77.252	(137.513)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	(304.503)	141.607
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	44.905	(818)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(182.346)	3.276
XI. PROFIT/LOSS	570.851	495.853
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	144.486	6.109
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	2.848	(29.722)
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4 Other	423.517	519.466
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	388.505	499.129

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2016

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Section 5 Part II.13	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Minority Shares	Total Shareholders' Equity
Prior period – 01.01.-31.06.2015																			
I. Beginning Balance		2.835.000	-	714	-	402.779	-	4.450.257	(49.396)	-	1.072.420	(51.856)	-	-	(40.479)	-	8.619.439	178.175	8.797.614
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2.835.000	-	714	-	402.779	-	4.450.257	(49.396)	-	1.072.420	(51.856)	-	-	(40.479)	-	8.619.439	178.175	8.797.614
Changes in Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease related to merger Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(110.009)	-	-	-	-	(110.009)	-	(110.009)
VI. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	113.285	-	113.285	-	113.285
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	113.285	-	113.285	-	113.285
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other ⁽⁶⁾		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	15
XIX. Period net income/(loss)		-	-	-	-	-	-	-	-	487.813	-	-	-	-	-	-	487.813	8.040	495.853
XX. Profit distribution		-	-	-	-	50.089	-	884.325	-	-	(934.920)	-	-	-	-	-	(506)	-	(506)
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(506)	-	-	-	-	-	(506)	-	(506)
20.2 Transfers to reserves		-	-	-	-	50.089	-	884.325	-	-	(934.414)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+.....+XVI+XVII+XVIII)		2.835.000	-	714	-	452.868	-	5.334.582	(49.396)	487.813	137.500	(161.865)	-	-	72.806	-	9.110.022	186.230	9.296.252

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2016

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Section 5 Part II.13	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Non- controlling interest	Total Shareholders' Equity
Current period – 01.01-31.06.2016																			
I.		3.000.000	-	714	-	451.979	-	5.169.582	(45.674)	-	802.739	(244.259)	-	-	81.175	-	9.216.256	189.229	9.405.485
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	61.256	-	-	-	-	61.256	-	61.256
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	(243.602)	-	(243.602)	-	(243.602)
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(243.602)	-	(243.602)	-	(243.602)
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	569.193	54.204	-	-	-	-	-	54.204	(183.573) ^(*)	(129.369)
XVIII.		-	-	-	-	-	-	-	-	-	(802.290)	-	-	-	-	-	569.193	1.658	570.851
18.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance																			
(I+ II+ III+..... +XVI+XVII+XVIII)		3.000.000	-	714	-	487.422	-	5.936.429	(45.674)	569.193	54.653	(183.003)	-	-	(162.427)	-	9.657.307	7.314	9.664.621

(*) Includes the effect of change in ownership of Finans Finansal Kiralama A.Ş from 69,00% to 99,13 % in the prior year.

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016**

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

VI. CONSOLIDATED CASH FLOW STATEMENT

	Section 5 Parti V	Reviewed 01.01 – 30.06.2016	Reviewed 01.01 – 30.06.2015
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		1.656.823	537.526
1.1.1 Interest received (+)		4.207.067	3.313.007
1.1.2 Interest paid (-)		(2.105.807)	(1.776.651)
1.1.3 Dividend received (+)		81	57
1.1.4 Fees and commissions received (+)		836.256	796.442
1.1.5 Other income (+)		255.064	56.630
1.1.6 Collections from previously written off loans (+)		429.927	313.916
1.1.7 Payments to personnel and service suppliers (-)		(1.079.423)	(973.679)
1.1.8 Taxes paid (-)		(311.786)	(309.158)
1.1.9 Other (+/-)		(574.556)	(883.038)
1.2 Changes in operating assets and liabilities		1.249.400	1.370.552
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		6.759	(1.794)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		114.656	(27.894)
1.2.3 Net (increase) decrease in due from banks (+/-)		(2.522.836)	669.841
1.2.4 Net (increase) decrease in loans (+/-)		(2.760.699)	(3.838.488)
1.2.5 Net (increase) decrease in other assets (+/-)		(467.731)	(211.310)
1.2.6 Net increase (decrease) in bank deposits (+/-)		677.108	(18.523)
1.2.7 Net increase (decrease) in other deposits (+/-)		3.943.566	1.479.076
1.2.8 Net increase (decrease) in funds borrowed (+/-)		1.395.101	373.983
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		863.476	2.945.661
I. Net cash provided from / (used in) banking operations (+/-)		2.906.223	1.908.078
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities (+/-)		(1.455.650)	(72.949)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	12.116
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3 Fixed assets purchases (-)		(19.354)	(102.328)
2.4 Fixed assets sales (+)		9.101	235.522
2.5 Cash paid for purchase of financial assets available for sale (-)		(1.508.073)	(1.664.697)
2.6 Cash obtained from sale of financial assets available for sale (+)		622.676	1.232.905
2.7 Cash paid for purchase of investment securities (-)		(499.802)	(246.398)
2.8 Cash obtained from sale of investment securities (+)		-	512.035
2.9 Other (+/-)		(60.198)	(52.104)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities (+/-)		(1.015.955)	(639.512)
3.1 Cash obtained from funds borrowed and securities issued (+)		548.293	1.827.105
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(1.436.136)	(2.466.617)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		-	-
3.6 Other (+/-)		(128.112)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)		(13.313)	92.355
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		421.305	1.287.972
VI. Cash and cash equivalents at the beginning of the period (+)		3.731.536	2.969.178
VII. Cash and cash equivalents at end of the period (V+VI)		4.152.841	4.257.150

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

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. Basis of Presentation

1. Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The Turkish Banking Law No: 5411 is published in the Official Gazette No: 25983 dated November 1, 2005. The Parent Bank and its financial subsidiaries ("The Group") prepared the accompanying financial statements and the related disclosures and footnotes, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("KGK"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). The format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué.

Consolidated financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency, is indicated by the full amount.

Explanation for Convenience Translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Accounting policies and valuation principles used in the preparation of the financial statements

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2014. The amendments of TAS and TFRS, effective as of January 1, 2015, have no material impact on the Group's accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVI below.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, trading derivative financial assets, and hedging derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016**

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

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Group management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2011 version), which have been published as of reporting date but have not been effective yet, have no impact on the accounting policies, financial condition and performance of the Group. TFRS 9 Financial Instruments Standard will mainly effect Group's classification and valuation of financial assets. Its impact has not yet been detected since it will change based on financial asset management model used and financial assets held as of transition date. The Group is still assessing the impact of TFRS 9 Financial Instruments standard.

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

1. Strategy for the use of financial instruments

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in accordance with their sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are repriced at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return, sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank converts the foreign currency liquidity obtained from the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Parent Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking the risk tolerance as a cap. The maximum VAR amounts are determined for the three main risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Group's foreign currency available-for-sale debt securities are explained in foreign currency risk section and the applications regarding the hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

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

2. Foreign currency transactions

2.1. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of June 30, 2016 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
US Dollar	2,8936 TL	2,9076 TL
Euro	3,2044 TL	3,1776 TL

2.2. Total exchange rate differences that are included in net profit or loss for the year

The net exchange gain for the period that ended at June 30, 2016 is TL 14.094 TL (June 30, 2015- 21.207 TL net exchange loss).

2.3. Foreign Associates

None.

III. Information on Associates, Subsidiaries and Entities Under Common Control

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette numbered 26340 and dated November 8, 2006.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				June 30, 2016	December 31, 2015
1. Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	99,80	99,74
2. Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	99,78	99,72
3. Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4. Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,13	69,00
5. Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6. Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

As per Board of Directors meeting dated May 21, 2014, it has been decided for the liquidation of Finans Investment Trust. The company’s liquidation was completed as of December 7, 2015.

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Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards (“TMS”) and Turkish Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“KGK”).

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of June 30, 2016.

1. Subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank’s returns.

Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank and are put out of consolidation’s scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from Parent Bank’s accounting policies.

According to full consolidation method, 100% of subsidiaries’ asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank’s asset, liability, income, expense and off balance sheet items. Book value of the Group’s investment in each subsidiary is netted off with Group’s equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and income statement.

2. Associates and entities under common control

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank’s capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor’s share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor’s share from the change in the subsidiary’s or joint venture’s equity within the period. The method also foresees that profit will be deducted from the subsidiary’s or joint venture’s accordingly recalculated value.

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IV. Explanations on Forwards, Option Contracts and Derivative Instruments

The Group enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Group also carries out currency and interest options, swaption, credit default swap and futures agreements.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank converts the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

In accordance with TAS 39 “Financial Instruments: Recognition and Measurement”, derivative instruments are categorized as “hedging purpose” or “trading purpose” transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the “Assets on Trading Derivatives”, “Liabilities on Trading Derivatives” or “Assets on Hedging Purpose Derivatives” and “Liabilities on Hedging Purpose Derivatives” items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

Fair values of option contracts are calculated with option pricing models and the resulting unrealized gains and losses are reflected in the current period income statement.

Futures transactions are accounted for at settlement prices as of the balance sheet date and related unrealized gains and losses are presented in the current period income statement.

Fair value of credit default swaps is calculated using internal pricing models based on market data and related unrealized gains and losses are reflected in the current period income statement.

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the income statement on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under “Foreign Exchange Gains/Losses” account.

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swaps to hedge its TL and FC customer deposits with an average maturity of 1 month against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

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The Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in available for sale financial assets portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in available for sale financial assets portfolio using swaps as hedging instruments.

Information on Eurobond and loan portfolio, recognized as fair value hedged items, is presented in Section 3, Footnote VII, 2 and 4.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments.

At each balance sheet date the Parent Bank applies effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, the interest accruals of non-performing loans are cancelled and not recorded as interest income until collected.

VI. Explanations on Fees and Commission Income and Expenses

Fee and commission income and expenses are accounted for on an accrual basis or on effective interest rate method except for the certain banking transactions that income is recognized immediately. Income generated through agreements or through the sale and purchases of assets on behalf of third parties, is recorded as income when collected.

VII. Explanations and Disclosures on Financial Assets

Financial assets comprise cash and cash equivalents and the contractual right to obtain cash or another financial asset from counterparty or to exchange financial assets with counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories; as “Financial Assets at Fair Value through Profit or Loss”, “Investment Securities Available-For-Sale”, “Investment Securities Held-To-Maturity”, and “Loans And Other Receivables”. The classification of the financial assets is determined at the initial inception of the related financial assets.

1. Financial assets at fair value through profit or loss

1.1. Trading securities

The Group accounts for its trading securities at fair value. The interest income that is from trading securities is presented as interest income in the income statement, while the difference between the cost and the fair value of trading securities and the gain or loss resulting from the sale of these financial assets before their maturity are realized under securities trading gains / losses.

1.2. Financial assets at fair value through profit or loss

The Parent Bank has classified its mortgage loans that were initiated between January 1, 2006 – December 31, 2007, as financial assets at fair value through profit or loss in compliance with TAS 39. These loans are presented under “Financial Assets at Fair Value through Profit or Loss” as loan, and fair value differences are presented as “Securities Trading Gains (Losses) in order to be in compliance with the balance sheet presentation.

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Financial assets at fair value through profit or loss are initially recorded at cost and are measured at fair value in the following periods.

The fair value of loans presented under “Financial Assets at Fair Value through Profit or Loss” are determined under current market conditions, taking into consideration the estimated price of a transaction at the measurement date depending on sale of an asset or transfer of a liability between market participants (in other words, exit price at measurement date from the perspective of an owner of an asset or from a debtor’s).

2. Investment securities available for sale

Available for sale assets represent financial assets other than financial assets at fair value through profit or loss, loans and other receivables and investment securities held to maturity.

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under “Securities value increase fund” (Unrealized Gains/Losses on Securities). When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement.

The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009 and some portion of the TL government bond portfolio hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under Investment Securities Available for Sale in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedge items are accounted for under “Securities Trading Gains/ Losses” in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased, fair value differences, previously reflected to the income statement, are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

3. Investments securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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4. Loans and specific provisions

Loans and receivables are carried initially by adding transaction cost to its purchase cost reflecting the fair value; except for the loans that are recorded with fair value through profit or loss and loans subject to fair value hedge. In the following periods, these loans are carried at amortized cost by using the effective interest rate method.

As mentioned in note “Note IV- Section III on Forward, Option Contracts and Derivative Instruments”, the Group enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounted for the hedged part of the loan portfolio at fair value, together with the swap transactions used as the hedging instrument and the related net gain or loss was included in the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

Provision is set for the loans that might be doubtful and amount is charged in the current period income statement.

In the case where there is an evidence for the possibility of uncollectability of loans, the Parent Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No 26333 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Parent Bank also provides specific provisions for the closely monitored loans as a result of risk assessment. These provisions accounted for in liabilities under other provisions.

The general provisions and special provisions provided for loans and other provisions provided for closely monitored loans are accounted for under “Provision for Loan Losses and Other Receivables” in the statement of income.

The collections made in relation to amounts that provision provided in the current period and the principle collections from the loans previously provisioned in the prior periods are offset against the “Provision for Loan and Other Receivables” in the income statement. The principal collections made related to the loans that were written-off and standard and closely monitored loans are recorded under “Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

VIII. Explanations on Impairment of Financial Assets

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events (“loss/profit events”) have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed. Future events that are expected to occur are not accounted, no matter how probable.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the “Effective interest rate method” and its carrying value. Regarding available-for-sale financial assets, impairment loss is reclassified from equity to profit or loss and is the difference between acquisition cost (less all principal repayments and amortization) and fair value, after impairment losses previously accounted for under profit or loss have been deducted.

An explanation about the impairment of loans and receivables is given in Note VII.4 of Section III

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IX. Explanations on Netting of Financial Instruments and Derecognition of Financial Assets

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities sold under repurchase agreements are recorded on the balance sheet in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Group Management’s future intentions, either at market prices or using discounting method with internal rate of return.

Funds lent against securities purchased under agreements to resell (“Reverse repos”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the “Effective interest method”.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 6.065.356 (December 31, 2015 - TL 5.113.536).

As of June 30, 2016 the Parent Bank has no securities that are subject to lending transactions (December 31, 2015 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under “Money Market Placements” in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

XI. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortisation on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the entity’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale.

A discontinued operation is a part of the Parent Bank’s business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discounting operations.

The Parent Bank classifies tangible assets that were acquired due to non-performing receivables, and that do not comply with TFRS 5 criteria, in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, no.26333 as other assets and accounts for these tangible assets according to the aforementioned Communiqué.

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XII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of software, intangible rights and goodwill.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIII. Explanations on Tangible Assets

Tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

Properties	%2
Movables purchased and acquired under finance lease contracts	%7 - %25

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of the leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There is no purchase commitments related to the fixed assets.

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XIV. Explanations on Leasing Transactions

Fixed assets acquired under finance lease contracts are presented under “Tangible Fixed Assets” on the asset side and under “Financial Lease Payables” on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

Total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

The gross lease receivables including interest and principal amounts regarding the Group’s financial leasing activities as “Lessor” are stated under the “Finance Lease Receivables”. The difference between the total of rental payments and the cost of the related fixed assets is reflected to the “unearned income” account. The interest income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted under “Lease Receivables” at the accompanying financial statements.

XV. Explanations on Factoring Receivables

Factoring receivables are carried at amortized cost by using the effective interest rate method after unearned interest income is deducted and specific provisions for impairments are provided, if any. These provisions are accounted for under “Factoring Receivables” at the accompanying financial statements. The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted for under “Factoring Receivables” at the accompanying financial statements.

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as “contingent”. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVII. Explanations on Obligations of the Group for Employees Benefits

Provision for employee severance benefits of the Group has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to IAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income.

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The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees' unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

There are no foundations, pension trusts or similar associations of which the Group employees are members.

XVIII. Explanations on Taxation

1. Corporate Tax

Turkish Tax Legislation does not allow the Parent Company to prepare tax declaration from the financial statements which subsidiaries and investment associates are consolidated into. Therefore, tax provision in accompanying consolidated financial statements is determined by calculating tax provision for each corporation in consolidation scope separately.

In accordance with the Corporate Tax Law No: 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. Advance corporate taxes paid are deducted from the corporate taxes of the current year and shown in current tax asset and current tax liabilities.

75% of gains on disposal of subsidiary shares and real estates held in Parent Bank assets for more than two years are exempted from tax, according to Corporate Tax Law under the condition with adding these gains into equity or allocating into a specific fund account as liability for five years.

Companies file their tax returns between the 1st and the 25th day of the fourth month following the closing of the fiscal year to which they relate and the payments are made until the end of that month.

Losses occurred due to prior year's financial statements can be deducted from corporate income under condition that each year amounts are shown separately on Corporate Tax declaration and are not carried more than five years.

Taxes that are not been levied or notified to tax payer in five years, starting from the beginning of the year following the calendar year that the tax asset emerged are prescribed. Therefore, the tax authority can perform tax audit up to five years backwards. Besides, in case of benefiting from the decision of the document that is subject to stamp duty, yet the tax and the penalty is prescribed, after period of limitation is expired, tax asset of aforementioned document is emerged again.

The provision for corporate and income taxes for the period is recognized as "Current Tax Charge" in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers' decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated February 3, 2009 and based on Corporate Tax Law No: 5520, 15th and 30th Articles, profit distribution for the period is subject to withholding tax by 15%, for full-fledged real person taxpayers, for those who are not responsible for corporate tax and income tax, for those exempt from corporate and income tax (except for those taxed through their businesses or permanent representatives in Turkey) and for foreign based real person taxpayers.

2. Deferred Taxes

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

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Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit would be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over general reserve for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated December 8, 2004.

Deferred tax effects of transactions directly accounted in equity are reflected in equity.

According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communiqué's 7.1 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XX. Explanation on Share Issues

During current period, there has been no change in the Bank's paid in capital. (1 January -31 December 2015 The Bank's paid in capital has been increased by TL 165.000, TL 141.750 paid from first dividend with bonus shares and TL 23.250 paid from subsidiary and real estate sales fund.)

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXII. Explanations on Government Incentives

As of June 30, 2016, the Group does not have any governmental incentives or support. (As of December 31, 2015 – None.)

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XXIII. Explanation on Reporting According to Segmentation

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 and TL 300.000 are considered as "Commercial Enterprise". The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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Current Period (January 1 – June 30, 2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	781.723	787.750	615.412	2.184.885
Net Fees and Commissions Income	465.834	212.447	23.704	701.985
Other Operating Income and Net Trading Income	83.548	19.952	(182.335)	(78.835)
Dividend Income	-	-	81	81
Operating Income	1.331.105	1.020.149	456.862	2.808.116
Other Operating Expenses	819.884	506.174	149.803	1.475.861
Provision for Loan Losses and Other Receivables	307.323	332.975	(17.349)	622.949
Gain / Loss on joint venture accounted for at equity method	-	-	(6.568)	(6.568)
Profit Before Taxes	203.898	181.000	317.840	702.738
Provision for Tax	-	-	-	(131.887)
Net Profit/Loss	-	-	-	570.851
Total Assets	23.755.774	38.950.971	27.458.792	95.059.431
Segment Assets	23.755.774	38.950.971	27.458.792	90.165.537
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	121.279
Undistributed Assets	-	-	-	4.772.615
Total Liabilities	33.039.638	17.685.607	26.195.863	95.059.431
Segment Liabilities	33.039.638	17.685.607	26.195.863	76.921.108
Undistributed Liabilities	-	-	-	8.473.702
Equity	-	-	-	9.664.621
Other Segment Accounts	153.190	88.367	28.561	270.118
Capital Expenditures	80.608	46.498	16.680	143.786
Depreciation and Amortization	72.582	41.869	11.881	126.332
Value Decrease/ (Increase)	-	-	-	-

Prior Period (January 1 - June 30, 2015)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	765.713	622.468	490.321	1.878.502
Net Fees and Commissions Income	504.768	172.102	20.222	697.092
Other Operating Income and Net Trading Income	18.306	24.509	(70.528)	(27.713)
Dividend Income	-	-	57	57
Operating Income	1.288.787	819.079	440.072	2.547.938
Other Operating Expenses	822.022	419.857	142.450	1.384.329
Provision for Loan Losses and Other Receivables	337.264	254.618	(40.344)	551.538
Gain / Loss on joint venture accounted for at equity method	-	-	(5.935)	(5.935)
Profit Before Taxes	129.501	144.604	332.031	606.136
Provision for Tax	-	-	-	(110.283)
Net Profit/Loss	-	-	-	495.853
Other Segment Accounts	112.759	53.836	82.546	249.141
Capital Expenditures	41.814	19.964	72.850	134.628
Depreciation and Amortization	70.945	33.872	9.696	114.513
Value Decrease/ (Increase)	-	-	-	-

Prior Period (December 31, 2015)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Total Assets	23.227.392	36.390.835	24.176.894	88.049.066
Segment Assets	23.227.392	36.390.835	24.176.894	83.795.121
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	127.847
Undistributed Assets	-	-	-	4.126.098
Total Liabilities	30.557.061	16.196.886	23.361.662	88.049.066
Segment Liabilities	30.557.061	16.196.886	23.361.662	70.115.609
Undistributed Liabilities	-	-	-	8.527.972
Equity	-	-	-	9.405.485

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XXIV. Profit Reserves and profit distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on 24 March 2016. It was decided net income from 2015 operations to be distributed as follows,

Statement of Profit Distribution, 2015

Profit for the Period	705.772
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(35.289)
B – First Profit share to be distributed ^(*)	(150.000)
C – Real Estate sale income fund (KVK 5-1/e)	(145.684)
D – Extraordinary Reserves	(374.799)

^(*) It has been decided for TL 150.000 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

XXV. Profit Per Share

Profit per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Group's Net Profit for the Period	569.193	487.813
Weighted Average Amount of Shares Issued (Thousands)	30.000.000	30.000.000
Earnings per Share	0,01897	0,01626

In Turkey, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating profit per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", profit per share is calculated taking into consideration new amount of shares.

No bonus shares were issued in 2016 (2015: (1.650.000)).

XXVI. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of June 30, 2016 Group’s total capital has been calculated as 10.965.644 TL, capital adequacy ratio is % 14,21. As of 31 December 2015, Group’s total capital amounted to 11.759.029 TL, Capital adequacy ratio was % 15,53 calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a. Components of consolidated shareholders’ equity items:

	Current Period 30 June 2016	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.000.000	
Share issue premiums	714	
Reserves	6.423.851	
Gains recognized in equity as per TAS	72.608	
Profit	623.846	
Current Period Profit	569.193	
Prior Period Profit	54.653	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ Share	7.314	
Common Equity Tier 1 Capital Before Deductions	10.128.333	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	301.285	
Improvement costs for operating leasing	84.506	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	149.870	249.783
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	535.661	
Total Common Equity Tier 1 Capital	9.592.672	

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	Current Period 30 June 2016	Amounts subject to treatment before 1/1/2014⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	99.913	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	9.492.759	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	854.045	
Tier II Capital Before Deductions	1.547.309	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	1.547.309	
Total Tier II Capital	11.040.068	
Total Capital (The sum of Tier I Capital and Tier II Capital)		
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	16.010	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	13.251	
Other items to be defined by the BRSA (-)	45.163	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	Current Period 30 June 2016	Amounts subject to treatment before 1/1/2014⁽¹⁾
TOTAL CAPITAL		
Total Capital	10.965.644	
Total risk weighted amounts	77.187.957	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	%12,43	
Tier I Capital Adequacy Ratio	%12,30	
Capital Adequacy Ratio	%14,21	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%5,13	
Capital conservation buffer requirement	%0,63	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on		
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	%6,45	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	96.659	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	42.482	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.243.900	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	854.045	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.939.912	

(1) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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	Prior Period December 31, 2015(*)
COMMON EQUITY	
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.000.000
Share premium	714
Share cancellation profits	-
Reserves	5.621.561
Gains recognized in equity as per TAS	-
Profit	802.739
Current Period Profit	664.350
Prior Period Profit	138.389
Provisions for Possible Risks	100.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	-
Minority shares	189.229
Common Equity Before Deductions	9.714.243
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-).	289.933
Leasehold improvements (-)	88.388
Goodwill or other intangible assets and deferred tax liability related to these items (-)	96.676
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own common equity (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Portion of mortgage servicing rights exceeding 10% of the common equity (-).	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity (-).	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-
Excess amount arising from mortgage servicing rights (-).	-
Excess amount arising from deferred tax assets based on temporary differences (-).	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	474.997
Total Common Equity	9.239.246

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	December 31,	
	2015 (*)	
ADDITIONAL TIER I CAPITAL		
Capital amount and related premiums corresponding to preference shares that are not included in common equity		-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)		-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)		-
Additional Tier I Capital before Deductions		-
Deductions from Additional Tier I Capital		-
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)		-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		-
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		-
Other items to be defined by the BRSA (-)		-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		-
Total Deductions From Additional Tier I Capital		-
Total Additional Tier I Capital		-
DEDUCTIONS FROM TIER I CAPITAL		145.015
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1 st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)		145.015
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)		-
Total Tier I Capital		9.094.231
TIER II CAPITAL		-
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)		1.893.475
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)		-
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank		838.756
General Loan Loss Provisions		-
Share of 3 rd parties in Tier II Capital		-
Tier II Capital Before Deductions		2.732.231
DEDUCTIONS FROM TIER II CAPITAL		-
Direct and indirect investments of the Bank in its own Tier II Capital (-)		-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-).		-
Portion of the total of net long positions of investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-).		-
Other items to be defined by the BRSA (-)		-
Total Deductions from Tier II Capital		-
Total Tier II Capital		2.732.231
CAPITAL BEFORE DEDUCTIONS		11.826.462
Loans granted contrary to the 50th and 51th Article of the Law (-)		15.456
Net book value of amounts exceeding the limit mentioned in the 1 st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date (-)		13.246
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)		-
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-).		-
Other items to be defined by the BRSA (-)		38.731
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1 st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)		-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)		-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1 st and 2 nd Paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)		-
TOTAL CAPITAL		11.759.029
Amounts below the Excess Limits as per the Deduction Principles		204.170
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital		-
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital		103.227
Amounts arising from mortgage servicing rights		-
Amounts arising from deferred tax assets based on temporary differences		100.943
	Parent Bank	Consolidated
	December 31,	December 31,
	2015^(*)	2015^(*)
Capital Requirement for Credit Risk (Value at Credit Risk * 0,08) (CRCR)	5.156.328	5.368.037
Capital Requirement for Market Risk (MRRCR)	85.370	88.270
Capital Requirement for Operational Risk (ORCR)	572.223	600.249
Shareholders' Equity	11.193.253	11.759.029
Shareholders' Equity/(CRCR+MRRCR+ORCR) * 12,5 * 100	% 15,40	% 15,53
Additional Tier I Capital/((CRCR+CRMR+CROR)*12,5*100)	% 12,00	% 12,01
Common Equity/((CRCR+CRMR+CROR)*12,5*100)	% 12,19	% 12,20

(*) Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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b. Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer (*)	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	Yes
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	347	213	133	-
Par value of instrument (Currency in million)	940	579	362	752
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	April 24, 2008	October 06, 2009	December 28, 2009	December 20, 2011
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + %4,50	LIBOR + %4,34	LIBOR + %4,34	LIBOR + %4,50
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

(*) The abovementioned credits has been used from NBG, former principal shareholder of Main Partner Bank, and the aforementioned subordinated debts has been transferred to QNB as of June 15, 2016 in accordance with the share sales contract concluded between NBG and QNB on December 21, 2015.

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	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ

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II. Explanations Related to Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of June 30, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

1. Explanations on the strategies and policies of the risk management system:

Overview of RWA

	Risk Weighted Assets		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	
1	Credit risk (excluding counterparty credit risk) (CCR)	67.121.321	67.100.460	5.369.706
2	Standardised approach (SA)	67.121.321	67.100.460	5.369.706
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.202.298	637.294	96.184
5	Standardised approach for counterparty credit risk (SA-CCR)	1.202.298	637.294	96.184
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	845.875	1.103.375	67.670
17	Standardised approach (SA)	845.875	1.103.375	67.670
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	8.018.463	7.503.118	641.477
20	Basic Indicator Approach	8.018.463	7.503.118	641.477
21	Standardised Approach	-	-	-
22	Advanced Measurement Approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	77.187.957	76.344.247	6.175.037

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Credit Risk Disclosures

a) CR1 – Credit quality of assets

		a	b	c	d
		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	3.952.128	59.132.850	3.146.402	59.938.576
2	Debt Securities	-	10.865.691	-	10.865.691
3	Off-balance sheet exposures	75.741	50.594.430	35.871	50.634.300
4	Total	4.027.869	120.592.971	3.182.273	121.438.567

Credit receivables defined as illiquid claim are mentioned as default credit receivables in 1-a section in accordance with the “Comminuque Related to Principles and Procedures on Determining the Qualification of Banks’ Loans and Other Receivables and the Provisions for These Loans and Receivables”, published in the Official Gazette No. 26333 dated 1 November 2006. Off-balance receivables of customers having default credit are mentioned as off-balance receivables in 3-a section.

b) CR2 – Changes in stock of defaulted loans and debt securities

		a
1	Defaulted loans and debt securities at end of the previous reporting period	3.892.166
2	Loans and debt securities that have defaulted since the last reporting period	986.181
3	Returned to non-defaulted status	-
4	Amounts written off (*)	480.537
5	Other changes (**)	369.941
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	4.027.869

(*) It includes sales of credit receivables which are in legal proceedings in current period at an amount of TL 477.261.

(**) It includes collections made from credits in default.

c) CR3 – Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount according to TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	57.990.822	1.947.754	1.057.729	-	-	-	-
2	Debt securities	10.865.691	-	-	-	-	-	-
3	Total	68.856.513	1.947.754	1.057.729	-	-	-	-
4	Of which defaulted	802.080	3.646	1.968	-	-	-	-

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d) CR4 – Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	24.300.523	-	21.943.309	-	7.029.602	32%
2	1.290	176	1.290	27	263	20%
3	32.439	87.544	32.405	32.276	64.681	100%
4	-	-	-	-	-	0%
5	-	-	-	-	-	0%
6	5.917.934	3.902.012	2.906.085	1.510.715	1.784.350	40%
7	22.396.609	21.272.798	21.651.383	6.194.991	27.846.375	100%
8	29.735.373	34.781.080	29.399.674	1.595.496	23.246.378	75%
9	5.641.739	280.547	5.641.739	21.194	1.982.026	35%
10	3.440.815	155.674	3.440.815	70.113	1.755.464	50%
11	822.541	-	820.573	-	618.819	75%
12	40.636	46.532	40.636	11.347	77.974	150%
13	-	-	-	-	-	0%
14	-	-	-	-	-	0%
15	-	-	-	-	-	0%
16	4.728.621	-	4.728.621	-	3.587.785	76%
17	39.251	-	39.251	-	39.251	100%
18	97.097.771	60.526.363	90.645.781	9.436.159	68.032.968	68%

- 1- Exposures to central governments or central banks
- 2- Exposures to regional governments or local authorities
- 3- Exposures to public sector entities
- 4- Exposures to multilateral development banks
- 5- Exposures to international organisations
- 6- Exposures to institutions
- 7- Exposures to corporates
- 8- Retail exposures
- 9- Exposures secured by residential property
- 10- Exposures secured by commercial real estate
- 11- Past-due loans
- 12- Higher-risk categories by the Agency Board
- 13- Exposures in the form of covered bonds
- 14- Exposures to institutions and corporates with a short-term credit assessment
- 15- Exposures in the form of units or shares in collective investment undertakings (CIUs)
- 16- Other assets
- 17- Investments in equities
- 18- Total

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e) CCR5 – Standardised approach – Exposures by asset classes and risk weights

	a	b	c	d	e	f	g	h	i	j
	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk exposure amount (after CCF and CRM)
1	7.884.105	-	-	-	14.059.204	-	-	-	-	21.943.309
2	-	-	1.317	-	-	-	-	-	-	1.317
3	-	-	-	-	-	-	64.681	-	-	64.681
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	-	-	1.421.782	-	2.990.049	-	4.969	-	-	4.416.800
7	-	-	-	-	-	-	27.846.374	-	-	27.846.374
8	-	-	-	-	-	30.995.170	-	-	-	30.995.170
9	-	-	-	5.662.933	-	-	-	-	-	5.662.933
10	-	-	-	-	3.510.928	-	-	-	-	3.510.928
11	-	-	-	-	403.507	-	417.066	-	-	820.573
12	-	-	-	-	-	-	-	51.983	-	51.983
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	39.251	-	-	39.251
17	1.140.821	-	19	-	-	-	3.587.781	-	-	4.728.621
18	9.024.926	-	1.423.118	5.662.933	20.963.688	30.995.170	31.960.122	51.983	-	100.081.940

- 1- Exposures to central governments or central banks
- 2- Exposures to regional governments or local authorities
- 3- Exposures to public sector entities
- 4- Exposures to multilateral development banks
- 5- Exposures to international organisations
- 6- Exposures to institutions
- 7- Exposures to corporates
- 8- Retail exposures
- 9- Exposures secured by residential property
- 10- Exposures secured by commercial real estate
- 11- Past-due loans
- 12- Higher-risk categories by the Agency Board
- 13- Exposures in the form of covered bonds
- 14- Exposures to institutions and corporates with a short-term credit assessment
- 15- Exposures in the form of units or shares in collective investment undertakings (CIUs)
- 16- Investments in equities
- 17- Other assets
- 18- Total

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1. Counterparty Credit Risk Disclosures

a) CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach

	a	b	c	d	e	f
	Replacement Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	2.460.600	663.372	1.4	1.156.161	710.831
2	Internal Model Approach		-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation				-	-
4	Comprehensive Method for Credit Risk Mitigation				812.930	200.816
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions				-	-
6	Total					911.647

b) Credit valuation adjustment (CVA) capital charge

	a	b
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolios subject to advanced CVA capital charge	-	-
1 (i) Value at risk component (3*multiplier included)		-
2 (ii) Stressed Value at Risk (3*multiplier included)		-
3 All portfolios subject to standartised CVA capital charge	1.156.161	290.651
4 Total subject to CVA capital charge	1.156.161	290.651

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c) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

	a	b	c	d	e	f	g	h	i
	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
1	61.799	-	-	-	-	-	-	-	61.799
2	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-
6	-	-	591.306	1.041.303	-	-	-	-	1.632.609
7	-	-	-	-	-	263.679	-	-	263.679
8	-	-	-	-	9.933	-	-	-	9.933
9	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	1.071	-	1.071
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	61.799	-	591.306	1.041.303	9.933	263.679	1.071	-	1.969.091

- 1- Central governments and central banks receivables
- 2- Local governments and municipalities receivables
- 3- Administrative and non commercial receivables
- 4- Multilateral Development Bank receivables
- 5- Internatinal Organisations receivables
- 6- Banks and Intermediary Institutions receivables
- 7- Corporate receivables
- 8- Retail receivables
- 9- Mortgage receivables
- 10- Non performing receivables
- 11- High risk defined receivables
- 12- Mortgage backed securities
- 13- Securitisation Positions
- 14- Short term credit rated banks and Intermediary Institutions receivables
- 15- Collective investment undertaking investments
- 16- Equity investments
- 17- Other receivables
- 18- Other assets
- 19- Total

d) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy.

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e) CCR5 – Composition of collateral for CCR exposure

	a	b	c	d	e	f
	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	2.706.121	-
Cash - Foreign Currency	-	2.099.821	-	324.665	2.687.543	-
Government bond/bill- local	-	-	-	-	-	-
Government bond/bill - other	-	-	-	-	-	-
Public Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Colleteral	-	-	-	-	-	-
Total	-	2.099.821	-	324.665	5.393.664	-

f) CCR6 – Credit derivatives exposures

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold.

g) CCR8 – Exposures to central counterparties

Related table is not presented due to the Parent Bank has no risk against to counterparty.

4. Securitization exposures:

The Parent Bank has no securitization transactions.

5. Market risk under standardised approach

		RWA (**)
		Current Period
	Outright products (*)	827.088
1	<i>Interest rate risk (general and specific)</i>	539.075
2	<i>Equity risk (general and specific)</i>	53.313
3	<i>Foreign exchange risk</i>	233.913
4	<i>Commodity risk</i>	787
	Options	18.787
5	<i>Simplified approach</i>	-
6	<i>Delta-plus method</i>	18.787
7	<i>Scenario approach</i>	-
8	<i>Securitisatıon</i>	-
9	Total	845.875

(*) Outright products refer to position in products that are not optional.

(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

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III. Explanations Related to Consolidated Foreign Exchange Risk

1. Whether the Group is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Parent Bank sets limits for positions that are monitored daily

As of June 30, 2016, the net foreign currency exposure of the Group is TL 1.490.230 short position (December 31, 2015 – TL – 247.810 short) resulting from on balance sheet short position amounting to TL 11.362.056 (December 31, 2015 – TL 12.749.198 short) and long off balance sheet position amounting to TL 9.871.826 (December 31, 2015 – TL 12.501.388 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Group is TL 390.662 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.099.568) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

The long off balance sheet position amounting to TL 10.602.907 (December 31, 2015 – TL 14.015.063) is related with the FC/TL swap transactions performed with banks and customers. The Group used these transactions to manage the foreign currency liquidity risk and to hedge itself from interest rate risk.

The Group enters into foreign currency forward transactions to decrease foreign currency position risk. The Group also engages in foreign currency and Eurobond buy-sell option transactions.

Board of Directors has determined the limits considering the consistency with the “Foreign Currency Net General Position.” Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and Group strategy and updated as deemed necessary.

Foreign Currency Exchange Rate Risk is monitored along with potential evaluation differences in foreign currency translations in accordance with “Regulations on Bank’s Internal Control and Risk Management Systems”. Standard method is used in measuring foreign currency exchange rate risk on a weekly basis.

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments (Details explaining Section Five Part three)

3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date

US Dollars purchase rate in the balance sheet date	2,8936 TL
Euro purchase rate in the balance sheet date	3,2044 TL

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
June 30, 2016	2,8936	3,2044
June 29, 2016	2,9130	3,2262
June 28, 2016	2,9365	3,2402
June 27, 2016	2,9266	3,2444
June 24, 2016	2,8799	3,2728

4. The basic arithmetical average of the Parent Bank’s foreign exchange bid rate for the last thirty days

The arithmetical average of the Bank’s US Dollar and Euro purchase rates for June 2016 are TL 2,9170 and TL 3,2774; respectively.

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5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank ⁽¹⁾	1.860.769	7.208.957	1.986.456	11.056.182
Due From Banks	145.229	152.315	11.178	308.722
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	90.780	189.889	5.774	286.443
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	308.851	2.325.857	-	2.634.708
Loans and Receivables ⁽³⁾	6.739.100	7.230.430	15.462	13.984.992
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Securities Held-to-Maturity	13.839	1.354.875	-	1.368.714
Derivative Financial Assets Hedging Purposes	1.915	19.719	-	21.634
Tangible Assets	-	-	26	26
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	1.069.021	507.884	10.392	1.587.297
Total Assets	10.229.504	18.989.926	2.029.288	31.248.718
Liabilities				
Bank Deposits	583.235	1.388.496	108.196	2.079.927
Foreign Currency Deposits ⁽⁵⁾	6.343.941	13.735.209	703.960	20.783.110
Money Market Borrowings	153.436	2.531.982	-	2.685.418
Funds Provided from Other Financial Institutions ⁽⁶⁾	2.747.231	6.477.565	486.193	9.710.989
Securities Issued	176.146	3.560.350	-	3.736.496
Sundry Creditors	1.556.414	1.175.874	12.935	2.745.223
Derivative Fin. Liabilities Hedging Purposes	64.625	311.689	-	376.314
Other Liabilities ⁽⁷⁾	132.344	359.566	1.387	493.297
Total Liabilities	11.757.372	29.540.731	1.312.671	42.610.774
Net Balance Sheet Position	(1.527.868)	(10.550.805)	716.617	(11.362.056)
Net Off-Balance Sheet Position	1.694.116	8.934.007	(756.297)	9.871.826
Financial Derivative Assets	6.028.620	36.432.568	1.977.617	44.438.805
Financial Derivative Liabilities	4.334.504	27.498.561	2.733.914	34.566.979
Non-Cash Loans ⁽⁸⁾	1.790.083	3.757.807	78.671	5.626.561
Prior Period				
Total Assets	8.932.486	15.261.590	1.736.272	25.930.348
Total Liabilities	11.840.961	25.709.519	1.129.066	38.679.546
Net Balance Sheet Position	(2.908.475)	(10.447.929)	607.206	(12.749.198)
Net Off-Balance Sheet Position	2.658.823	10.445.654	(603.089)	12.501.388
Financial Derivative Assets	7.811.037	45.187.218	354.262	53.352.517
Financial Derivative Liabilities	5.152.214	34.741.564	957.351	40.851.129
Non-Cash Loans ⁽⁸⁾	1.304.766	2.171.515	990.103	4.466.384

(1) Cash and Balances with TR Central; Other FC include TL 1.974.240 (December 31, 2015 – 1.694.042 TL) precious metal deposit account.

(2) Does not include TL 34.151 (December 31, 2015 – 9.501 TL) of currency income accruals arising from derivative transactions.

(3) Includes TL 3.546.575 TL (December 31, 2015 – TL 3.435.405 TL) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 3.561 (December 31, 2015 – TL 4.114) as per BRSA's Communiqué published in Official Gazette no 26085 on 19 February 2006. Does not include repealed financial leasing receivables amounting to TL 1.409 (December 31, 2015 – TL 1.300) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 53.868 (December 31, 2015 – TL 64.576) accounted as TL in balance sheet.

(5) Other foreign currency includes TL 445.302 (December 31, 2015 – TL 430.694) of precious metal deposit account.

(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 55.534 (December 31, 2015 – TL 38.874)

(8) Does not have an effect on Net Off-Balance Sheet Position.

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As of June 30, 2016, the net foreign currency exposure of the Group is TL 1.490.230 short position (December 31, 2015 – TL – 247.810 short) resulting from on balance sheet short position amounting to TL 11.362.056 (December 31, 2015 – TL 12.749.198 short) and long off balance sheet position amounting to TL 9.871.826 (December 31, 2015 – TL 12.501.388 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Group is TL 390.662 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.099.568) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

IV. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every two weeks by taking the market developments into consideration.

The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary.

Parent Bank's asset and liabilities carry positive interest rate income and are repriced every nine months. Therefore the Bank holds limited amount of interest rate risk.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items
(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	01-May Years	5 Years and Over	Non Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	6.670.463	-	-	-	-	6.185.402	12.855.865
Due from Banks	116.940	-	-	-	-	260.201	377.141
Financial Assets at Fair Value Through Profit/Loss ^(**)	236	12.673	25.206	15.591	33.989	4.299.770	4.387.465
Money Market Placements	109.772	-	-	-	-	-	109.772
Inv. Securities Available for Sale	1.290.828	370.368	1.687.621	502.432	2.358.695	217.561	6.427.505
Loans and Receivables	11.547.804	7.344.653	21.718.017	14.893.023	2.512.747	1.888.383	59.904.627
Inv. Securities Held to Maturity	172.295	1.064.461	1.629.672	900.846	623.318	86.712	4.477.304
Other Assets	497.655	242.450	703.246	1.177.943	56.264	3.842.194	6.519.752
Total Assets	20.405.993	9.034.605	25.763.762	17.489.835	5.585.013	16.780.223	95.059.431
Liabilities							
Bank Deposits	1.708.759	491.195	10.916	-	-	23.191	2.234.061
Other Deposits	30.395.297	9.377.783	2.003.395	68.341	-	8.881.096	50.725.912
Money Market Borrowings	4.726.457	1.028.327	563.475	-	-	5.600	6.323.859
Sundry Creditors	2.691.628	-	-	-	-	2.220.366	4.911.994
Securities Issued	309.953	1.628.884	601.238	2.441.278	-	48.647	5.030.000
Funds Borrowed	1.375.101	1.293.562	7.254.152	170.904	-	43.572	10.137.291
Other Liabilities ^(***)	-	-	-	-	-	15.696.314	15.696.314
Total Liabilities	41.207.195	13.819.751	10.433.176	2.680.523	-	26.918.786	95.059.431
On Balance Sheet Long Position	-	-	15.330.586	14.809.312	5.585.013	-	35.724.911
On Balance Sheet Short Position	(20.801.202)	(4.785.146)	-	-	-	(10.138.563)	(35.724.911)
Off-Balance Sheet Long Position	5.216.230	8.924.670	192.190	-	-	-	14.333.090
Off-Balance Sheet Short Position	-	-	-	(9.944.475)	(1.542.332)	-	(11.486.807)
Total Position	(15.584.972)	4.139.524	15.522.776	4.864.837	4.042.681	(10.138.563)	2.846.283

^(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

^(**) Financial Assets at Fair Value Through Profit/Loss include TL 2.479.080 derivative financial assets used for hedging purposes.

^(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 758.481

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Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items
(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	5.726.666	-	-	-	-	4.270.379	9.997.045
Due from Banks	99.989	5.000	-	-	-	213.150	318.139
Financial Assets at Fair Value Through Profit/Loss (**)	183	47.272	12.419	14.758	42.785	5.490.280	5.607.697
Money Market Placements	87.711	-	-	-	-	-	87.711
Inv. Securities Available for Sale	1.392.541	310.046	1.427.730	334.391	1.832.927	(1.985)	5.295.650
Loans and Receivables	12.483.011	7.853.000	19.402.776	14.351.621	1.154.277	1.817.510	57.062.195
Inv. Securities Held to Maturity	166.413	1.026.712	1.468.368	951.410	176.449	84.562	3.873.914
Other Assets	409.570	275.030	626.273	1.062.551	61.842	3.371.449	5.806.715
Total Assets	20.366.084	9.517.060	22.937.566	16.714.731	3.268.280	15.245.345	88.049.066
Liabilities							
Bank Deposits	1.247.544	268.133	12.689	-	-	28.404	1.556.770
Other Deposits	27.163.445	10.109.320	1.694.629	38.035	-	7.749.078	46.754.507
Money Market Borrowings	3.655.981	796.433	349.686	-	-	7.161	4.809.261
Sundry Creditors	3.417.799	-	-	-	-	2.105.631	5.523.430
Securities Issued	327.199	1.499.770	1.498.843	2.450.170	-	51.005	5.826.987
Funds Borrowed	1.122.245	915.524	6.358.514	297.504	-	34.389	8.728.176
Other Liabilities (***)	125	31	139	-	-	14.849.640	14.849.935
Total Liabilities	36.934.338	13.589.211	9.914.500	2.785.709	-	24.825.308	88.049.066
On Balance Sheet Long Position	-	-	13.023.066	13.929.022	3.268.280	-	30.220.368
On Balance Sheet Short Position	(16.568.254)	(4.072.151)	-	-	-	(9.579.963)	(30.220.368)
Off-Balance Sheet Long Position	5.075.073	8.149.847	1.652.123	-	-	-	14.877.043
Off-Balance Sheet Short Position	-	-	-	(9.587.001)	(1.796.952)	-	(11.383.953)
Total Position	(11.493.181)	4.077.696	14.675.189	4.342.021	1.471.328	(9.579.963)	3.493.090

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

(**) Financial Assets at Fair Value Through Profit/Loss include TL 3.239.009 derivative financial assets used for hedging purposes.

(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 283.444.

Average interest rates applied to monetary financial instruments

Current Period	EUR	USD	JPY	TL
	%	%	%	%
Cari Dönem Sonu				
Varlıklar				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,49	-	3,21
Due from Banks	0,01	1,18	-	11,72
Financial Assets at Fair Value Through Profit/Loss	2,15	4,21	-	10,01
Money Market Placements	-	-	-	12,14
Investment Securities Available for Sale	3,51	4,86	-	10,48
Loans and Receivables	4,14	4,92	3,07	14,36
Investment Securities Held for Trading	2,96	5,04	-	9,94
Liabilities				
Bank Deposits	0,37	0,95	-	10,69
Other Deposits	1,37	2,24	0,98	10,95
Money Market Borrowings	0,33	0,96	-	7,68
Sundry Creditors	0,33	0,36	-	-
Securities Issued	-	5,86	-	11,19
Funds Borrowed	2,03	2,96	-	10,95

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Average interest rates applied to monetary financial instruments

Prior Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,49	-	3,81
Due from Banks	0,10	0,56	-	11,61
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	9,14
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,42
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	1,82	1,76	-	6,12
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,88	3,28	-	9,83

V. Position Risk of Equity Securities in Banking Book

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Equity Investments Group A	23.358	-	23.358
Quoted Securities	23.358	-	23.358
2. Equity Investments Group B	6	-	6
Quoted Securities	6	-	6
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other^(*)	121.279^(*)	92.433^(**)	-

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by CMB.

(**) Refers to entity under common control accounted at fair value but not traded at the quoted markets.

Portfolio	Revaluation Surpluses		Unrealized Gains and Losses		
	Gains/Losses in Current Period	Total	Amount under Core Capital	Total	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-
2. Quoted Shares	1.000	-	-	(192)	(86)
3. Other Shares	-	-	-	-	-
4. Total	1.000	-	-	(192)	(86)

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VI. Explanations Related to Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of Finansbank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of Finansbank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in Finansbank in order to monitor related limits. Senior management of Finansbank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

Finansbank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

The Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which Finansbank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

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Liquidity Coverage Ratio

CURRENT PERIOD June 30, 2016	Unweighted Amounts(*)		Weighted Amounts(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			13.135.471	8.345.615
1. High Quality Liquid Assets	15.070.254	10.280.398	13.135.471	8.345.615
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	35.760.363	13.975.718	3.226.015	1.397.572
3. Stable deposits	7.000.419	-	350.021	-
4. Less stable deposits	28.759.944	13.975.718	2.875.994	1.397.572
5. Unsecured Funding other than Retail and Small Business Customers Deposits	13.191.949	6.619.831	7.376.148	3.650.752
6. Operational deposits	555.569	20.153	138.892	5.038
7. Non-Operational Deposits	12.636.380	6.599.678	7.237.256	3.645.714
8. Other Unsecured Funding	4.187.494	1.856.303	3.665.333	1.856.303
9. Secured funding			291.597	291.597
10. Other Cash Outflows	11.490.627	6.996.496	11.490.627	6.996.496
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	11.490.627	6.996.496	11.490.627	6.996.496
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	767.123	-	38.356	-
15. Other irrevocable or conditionally revocable commitments	48.797.200	5.856.180	3.294.698	495.796
16. TOTAL CASH OUTFLOWS			29.382.774	14.688.516
CASH INFLOWS				
17. Secured Lending Transactions	-	-	-	-
18. Unsecured Lending Transactions	5.421.130	954.777	3.202.376	781.185
19. Other contractual cash inflows	10.031.821	7.319.023	10.031.821	7.319.023
20. TOTAL CASH INFLOWS	15.452.951	8.273.800	13.234.197	8.100.208
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			13.135.471	8.345.615
22. TOTAL NET CASH OUTFLOWS			16.148.577	6.588.308
23. Liquidity Coverage Ratio (%)			81,34%	126,67%

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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PRIOR PERIOD December 31, 2015	Unweighted Amounts(*)		Weighted Amounts(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			12.547.720	7.199.398
1. High Quality Liquid Assets	14.258.534	8.910.988	12.547.720	7.199.398
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	32.837.720	12.568.703	2.798.784	1.133.632
3. Stable deposits	9.699.766	2.464.775	484.988	123.239
4. Less stable deposits	23.137.954	10.103.928	2.313.796	1.010.393
5. Unsecured Funding other than Retail and Small Business Customers Deposits	13.101.886	6.918.593	6.709.101	3.381.606
6. Operational deposits	649.371	20.912	162.343	5.228
7. Non-Operational Deposits	12.452.515	6.897.681	6.546.758	3.376.378
8. Other Unsecured Funding	4.745.862	2.509.482	4.424.462	2.509.482
9. Secured funding	-	-	238.705	238.705
10. Other Cash Outflows	15.159.150	9.596.366	15.159.150	9.596.366
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.159.150	9.596.366	15.159.150	9.596.366
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	569.850	141.021	28.493	7.051
15. Other irrevocable or conditionally revocable commitments	43.730.869	4.509.859	2.947.252	399.370
16. TOTAL CASH OUTFLOWS			32.305.947	17.266.212
CASH INFLOWS				
17. Secured Lending Transactions	583.691	-	-	-
18. Unsecured Lending Transactions	5.122.022	774.397	2.871.544	617.004
19. Other contractual cash inflows	13.701.483	9.160.297	13.701.484	9.160.297
20. TOTAL CASH INFLOWS	19.407.196	9.934.694	16.573.028	9.777.301
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			12.547.720	7.199.398
22. TOTAL NET CASH OUTFLOWS			15.732.919	7.488.911
23. Liquidity Coverage Ratio (%)			79,75%	96,13%

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated 21 March 2014 for the first three months are explained in the table below.

	Maximum	Week	Maximum	Week	Average
TL+FC	83.0	30/06/2016	79.0	31/05/2016	81.4
FC	132.1	29/04/2016	118.9	30/06/2016	127.1

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank’s high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

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Funding sources of the Parent Bank mainly consist of deposits which constitute 56% of total liabilities of the Group (31 December 2015 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

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Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Un- Allocated⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	3.705.664	9.150.193	-	-	-	-	8	12.855.865
Due from Banks	260.201	116.940	-	-	-	-	-	377.141
Financial Assets at Fair Value Through Profit/Loss ⁽²⁾	-	183.145	535.664	1.389.322	2.031.935	247.399	-	4.387.465
Money Market Placements	-	109.772	-	-	-	-	-	109.772
Investment Securities Available for Sale	39.118	9.011	86	346.906	2.279.341	3.753.043	-	6.427.505
Loans and Receivables	-	12.698.121	6.038.135	18.408.309	16.750.996	5.203.340	805.726	59.904.627
Investment Securities Held to Maturity	-	-	-	107.708	1.694.816	2.674.780	-	4.477.304
Other Assets	12.144	1.621.669	322.486	832.934	1.462.276	59.695	2.208.548	6.519.752
Total Assets	4.017.127	23.888.851	6.896.371	21.085.179	24.219.364	11.938.257	3.014.282	95.059.431
Liabilities								
Bank Deposits	20.823	1.710.403	491.798	11.037	-	-	-	2.234.061
Other Deposits	8.639.672	30.553.235	9.428.070	2.034.991	69.944	-	-	50.725.912
Funds Borrowed	-	1.095.441	1.055.601	4.096.050	2.046.066	1.844.133	-	10.137.291
Money Market Borrowings	-	4.729.821	968.719	164.244	124.182	336.893	-	6.323.859
Securities Issued	-	265.659	415.324	824.904	3.461.109	63.004	-	5.030.000
Sundry Creditors	25	3.230.511	62.047	671.409	893.439	54.563	-	4.911.994
Other Liabilities ⁽³⁾	-	1.904.293	317.679	500.802	982.483	517.517	11.473.540	15.696.314
Total Liabilities	8.660.520	43.489.363	12.739.238	8.303.437	7.577.223	2.816.110	11.473.540	95.059.431
Liquidity Gap	(4.643.393)	(19.600.512)	(5.842.867)	12.781.742	16.642.141	9.122.147	(8.459.258)	-
Net Off- Balance Sheet Position ⁽⁴⁾	-	(49.717)	390.834	660.981	1.086.820	8.718	-	2.097.636
Receivables from financial derivative instruments	-	11.919.654	9.358.270	16.449.800	21.979.111	4.254.537	-	63.961.372
Liabilities from derivative financial instruments	-	11.969.371	8.967.436	15.788.819	20.892.291	4.245.819	-	61.863.736
Non Cash Loans ⁽⁵⁾	-	378.836	1.055.832	4.781.283	1.876.942	148.972	5.119.018	13.360.883
Prior period								
Total Assets	3.617.141	20.405.629	7.158.918	19.821.700	23.555.751	10.483.922	3.006.005	88.049.066
Total Liabilities	7.560.002	37.434.853	12.796.214	7.382.641	8.179.876	3.512.354	11.183.126	88.049.066
Liquidity Gap	(3.942.861)	(17.029.224)	(5.637.296)	12.439.059	15.375.875	6.971.568	(8.177.121)	-
Net Off- Balance Sheet Position ⁽⁴⁾	-	155.717	201.826	769.845	1.501.774	63.421	-	2.692.583
Receivables from financial derivative instruments	-	18.432.215	9.932.419	23.640.835	22.132.466	4.386.397	-	78.524.332
Liabilities from derivative financial instruments	-	18.276.498	9.730.593	22.870.990	20.630.692	4.322.976	-	75.831.749
Non Cash Loans	-	433.440	830.347	3.479.655	2.007.868	70.982	3.653.534	10.475.826

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders' equity amounting to TL 9.664.621, unallocated provisions amounting to TL 1.808.919.

(2) Financial Assets at Fair Value Through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 2.479.080

(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 758.481

(4) Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet

(5) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature..

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VII. Information regarding Consolidated Leverage Ratio

a) Information in regards to the differences between current period and prior period leverage ratio:

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,37% (December 31, 2015: 6,67%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS:

	Current Period^(**)	Prior Period^(**)
1 Total asset amount in consolidated financial statements prepared in accordance with TFRS ^(*)	92.825.920	89.127.102
2 Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	229.490	139.635
3 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	683.872	1.350.098
4 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
5 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	53.555.553	45.642.936
6 Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(333.235)	(345.909)
7 Total Risk Amount	146.961.600	135.913.862

^(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.

^(**) Amounts presented above represent the arithmetic average of the last three months

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The table related to leverage ratio calculated in accordance with the “Regulation on Measurement and Evaluation of Bank’s Leverage Levels” published in Official Gazette dated 5 November 2013 and numbered 28812 is below:

	Book Value	
	Current Period (*)	Prior Period (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	88.660.912	83.470.143
(Assets deducted from capital stock)	333.235	345.909
Total risk amount related to Assets on Balance sheet	88.327.677	83.124.234
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	4.394.498	5.796.594
Potential credit risk amount of derivative financial instruments and credit derivatives	683.872	1.350.098
Total risk amount related to derivative financial instruments and credit derivatives	5.078.370	7.146.692
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	54.443.580	46.196.301
(Adjustment amount sourcing from multiplying to credit conversion rates)	(888.027)	(553.365)
Total risk amount related to off-balance sheet transactions	53.555.553	45.642.936
Capital and Total Risk		
Core Capital	9.357.997	9.065.704
Amount of total risk	146.961.600	135.913.862
Financial leverage ratio	6,37%	6,67%
Financial leverage ratio	6,37%	6,67%

(*) Amounts stated in table shows the last quarter averages of related period.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	827.868	278.306	678.547	274.822
T.R. Central Bank	938.083	10.775.472	1.409.024	7.632.114
Others	33.732	2.404	522	2.016
Total	1.799.683	11.056.182	2.088.093	7.908.952

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	925.315	1.638.023	1.400.527	1.009.092
Restricted Time Deposits	12.768	9.137.449	8.497	6.623.022
Total	938.083	10.775.472	1.409.024	7.632.114

As of June 30, 2016, 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, 2015 – 5% to 11,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 25% depending on the maturity of deposits (December 31, 2015 – 5% and 25%). In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

According to T. C. Central Bank press release No. 2014-72 dated October 21, 2014, starting from November 2014, interest is paid on reserve requirements held in TL. Additionally, according to T. C. Central Bank press release No. 2015-35 dated May 2, 2015, starting from May 5, 2015 interest is paid on USD reserve deposits, reserve options and unrestricted deposits.

2. Further information on financial assets at fair value through profit/loss (net amounts are expressed)

a) Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/blocked	7.814	254	19.808	-
Subject to repurchase agreement	10.689	333	24.533	-
Total	18.503	587	44.341	-

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	45.673	-	52.806	-
Swap Transactions	1.439.095	254.354	1.936.192	123.192
Futures	-	1.306	-	313
Options	-	56.711	-	124.844
Other	-	-	-	33
Total	1.484.768	312.371	1.988.998	248.382

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3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	2.718	3.109	10.209	1.178
Foreign	65.701	305.613	136	306.616
Foreign Head Offices and Branches	-	-	-	-
Total	68.419	308.722	10.345	307.794

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	147.767	49.361	10.658	10.112
USA and Canada	116.061	215.324	29.688	29.691
OECD Countries (*)	1.652	1.760	-	-
Off-shore Banking Regions	65.020	-	-	-
Other	468	504	-	-
Total	330.968	266.949	40.346	39.803

(*) Include OECD countries other than the EU countries, USA and Canada.

(**) Includes blocked placements amounting to TL 40.346 at foreign banks (December 31, 2015 - TL 39.803) for the funds borrowed from foreign banks.

4. Information on Investment securities available for sale

a) Information on investment securities available for-sale that are subject to repurchase agreements and given as Collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	932.096	500.522	573.686	459.933
Subject to repurchase agreements	1.018.659	2.063.002	1.403.911	1.419.256
Total	1.950.755	2.563.524	1.977.597	1.879.189

b) Investment securities available for sale

	Current Period	Prior Period
Debt securities	6.415.771	5.392.394
Quoted on a stock exchange (*)	6.415.771	5.392.394
Unquoted on a stock exchange	-	-
Share certificates	41.018	4.988
Quoted on a stock exchange (**)	140	626 (**)
Unquoted on a stock exchange	40.878	4.362
Impairment provision (-)	(29.284)	(101.732)
Total	6.427.505	5.295.650

(*) The Eurobond Portfolio amounting to TL 1.641.278 (December 31, 2015 - TL 520.298) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.

(**) Includes "exchange traded mutual funds" amounting to TL 487 as at December 31, 2015.

(***) It includes 11.695 Type C Visa Inc shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.

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5. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	21.651
Corporate Shareholders	-	-	-	21.651
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	75.389	-	74.844	-
Total	75.389	-	74.844	21.651

(*) Includes advances given to the bank personnel.

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

Cash Loans(*)	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	55.755.453	936.530	-	3.377.397	1.386.636	-
Discount Notes	833.414	-	-	12.201	-	-
Export Loans	1.125.447	-	-	178.497	-	-
Import Loans	6.604	-	-	-	-	-
Loans Given to Financial Sector	732.369	-	-	-	-	-
Retail Loans	13.614.994	127.576	-	781.785	235.740	-
Credit Cards	8.848.548	289.320	-	431.472	190.000	-
Other	30.594.077	519.634	-	1.973.442	960.896	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	55.755.453	936.530	-	3.377.397	1.386.636	-

(*) The loans and other receivables amounting to 33.949 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	923.272	1.370.863
3, 4 or 5 times	13.033	15.206
Over 5 times	225	567
Total	936.530	1.386.636

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	237.608	252.343
6 -12 months	30.682	82.424
1 - 2 years	145.263	133.064
2 - 5 years	424.928	547.592
5 years and over	98.049	371.213
Total	936.530	1.386.636

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c) Loans according to their maturity structure

Cash Loans ^(*)	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	23.820.908	289.320	431.472	190.000
Non-specialized Loans	23.820.908	289.320	431.472	190.000
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	31.934.545	647.210	2.945.925	1.196.636
Non-specialized Loans	31.934.545	647.210	2.945.925	1.196.636
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	55.755.453	936.530	3.377.397	1.386.636

(*) The loans and other receivables amounting to TL 33.949 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Consumer Loans-TL	431.214	12.368.522	12.799.736	206.003
Housing Loans	1.277	5.170.179	5.171.456	131.057
Automobile Loans	231	26.595	26.826	238
Personal Need Loans	429.706	7.171.748	7.601.454	74.708
Other	-	-	-	-
Consumer Loans-FC Indexed	-	10.751	10.751	12.273
Housing Loans	-	10.332	10.332	11.670
Automobile Loans	-	-	-	-
Personal Need Loans	-	419	419	603
Other	-	-	-	-
Consumer Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	7.396.488	180.577	7.577.065	86.189
Installment	2.657.442	180.577	2.838.019	32.291
Non- Installment	4.739.046	-	4.739.046	53.898
Individual Credit Cards-FC	3.128	-	3.128	20
Installment	-	-	-	-
Non- Installment	3.128	-	3.128	20
Personnel Loans-TL	5.166	39.429	44.595	269
Housing Loans	-	578	578	2
Automobile Loans	-	10	10	-
Personal Need Loans	5.166	38.841	44.007	267
Other	-	-	-	-
Personnel Loans-FC Indexed	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-TL	28.059	-	28.059	-
Installment	11.244	-	11.244	-
Non-Installment	16.815	-	16.815	-
Personnel Credit Cards-FC	90	-	90	-
Installment	-	-	-	-
Non-Installment	90	-	90	-
Overdraft Accounts-TL (Real Persons)	1.225.680	-	1.225.680	97.472
Overdraft Accounts-FC (Real Persons)	-	-	-	-
Total	9.089.825	12.599.279	21.689.104	402.226

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	372.144	10.536.635	10.908.779	236.744
Real Estate Loans	6	301.351	301.357	8.056
Automobile Loans	3.161	283.110	286.271	5.119
Personal Need Loans	368.977	9.952.174	10.321.151	223.569
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	18.503	1.380.199	1.398.702	174.518
Real Estate Loans	-	33.283	33.283	7.222
Automobile Loans	1.378	81.638	83.016	6.945
Personal Need Loans	17.125	1.265.278	1.282.403	160.351
Other	-	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	1.563.323	3.990	1.567.313	17.762
Installment	468.534	3.990	472.524	5.355
Non-Installment	1.094.789	-	1.094.789	12.407
Corporate Credit Cards –FC	392	-	392	2
Installment	-	-	-	-
Non-Installment	392	-	392	2
Overdraft Accounts-TL (Legal Entities)	1.052.718	-	1.052.718	4.654
Overdraft Accounts-FC (Legal Entities)	-	-	-	-
Total	3.007.080	11.920.824	14.927.904	433.680

f) Loans according to borrowers (*)

	Current Period	Prior Period
Public	203.750	204.567
Private	58.929.100	56.152.102
Total	59.132.850	56.356.669

(*) The loans and other receivables amounting to TL 33.949 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

g) Domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	58.890.797	56.069.107
Foreign Loans	242.053	287.562
Total	59.132.850	56.356.669

(*) The loans and other receivables amounting to TL 33.949 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

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h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates

i) Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	104.475	94.174
Loans and Receivables with Doubtful Collectability	387.827	376.185
Uncollectible Loans and Receivables	2.654.100	2.591.420
Total	3.146.402	3.061.779

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans and other receivables restructured or rescheduled

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	7.463	7.497	95.739
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	7.463	7.497	95.739
Prior Period			
(Gross Amounts Before the Specific Provisions)	2.471	7.336	96.276
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	2.471	7.336	96.276

j.2) Movement of non-performing loans^(*):

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	470.874	752.365	2.591.420
Additions (+)	911.936	37.070	27.319
Transfers from Other Categories of Non-Performing Loans (+)	-	763.966	685.240
Transfers to Other Categories of Non-Performing Loans (-)	763.966	685.240	-
Collections (-)	96.452	92.108	169.759
Write-offs (-)	15	402	480.120
Corporate and Commercial Loans	-	-	-
Consumer Loans	15	402	167.660
Credit Cards	-	-	312.460
Others	-	-	-
Current Period End Balance	522.377	775.651	2.654.100
Specific Provision (-)	104.475	387.827	2.654.100
Net Balances on Balance Sheet	417.902	387.824	-

^(*) Credit receivables at an amount of TL 477.261, whose legal proceedings have begun, have been sold at a cash value of TL 69.400.

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

None (December 31, 2015 – None).

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivable
Current Period (Net)	417.902	387.824	-
Loans to Real Persons and Legal Entities (Gross)	522.377	775.651	2.628.493
Specific provision (-)	(104.475)	(387.827)	(2.628.493)
Loans to Real Persons and Legal Entities (Net)	417.902	387.824	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	25.607
Specific provision (-)	-	-	(25.607)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	368.232	375.461	-
Loans to Real Persons and Legal Entities (Gross)	460.289	750.927	2.561.505
Specific provision (-)	(92.057)	(375.466)	(2.561.505)
Loans to Real Persons and Legal Entities (Net)	368.232	375.461	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	25.269
Specific provision (-)	-	-	(25.269)
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Explanations on write-off policy

Unrecoverable non-performing loans in legal follow-up, with no collateral that are deemed as uncollectible are written off by the Board of Directors' decision, in accordance with the laws and regulations.

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6. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	612.744	32.163	540.996	26.734
Medium and Long Term	5.168	-	3.996	-
Total	617.912	32.163	544.992	26.734

As of June 30, 2016 and June 30, 2015, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	26.084	13.416
Provided Provision / (reversal), Net	7.414	4.440
Collections	(375)	(233)
Current Period End Balance	33.123	17.623

7. Information on investment securities held-to-maturity

a) Information on Subject to repurchase agreements and given as Collateral/blocked Investment securities available for sale

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	72.510	-	96.191	-
Subject to repurchase agreements	1.682.817	1.289.856	1.417.955	847.881
Total	1.755.327	1.289.856	1.514.146	847.881

b) Information on financial government debt securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.108.590	513.334	3.009.964	110.652
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Total	3.108.590	513.334	3.009.964	110.652

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	3.108.590	1.368.714	3.009.964	863.950
Publicly-traded	3.108.590	1.368.714	3.009.964	863.950
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	3.108.590	1.368.714	3.009.964	863.950

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d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	3.873.914	3.727.223
Exchange differences on monetary assets	(1.723)	171.250
Acquisitions during the year	499.802	290.680
Disposals through sales and redemptions	-	(512.035)
Provision for losses (-)	-	-
Valuation Effect	105.311	196.796
The sum of end of the period	4.477.304	3.873.914

8. Investments in associates (Net)

8.1. Investments in associates

Description	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	9,23%	9,23%

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
68.992	39.246	48.097	425	-	9.586	5.165	-

(*) Current year information is based on 30 June 2016 financials. Prior year profit and loss amounts are based on 30 June 2015 financials.

8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends From Current Year Profity	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	3.766	3.766
Capital Commitments	-	-
Share Percentage at the end of the Period	-	-

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8.3. Sectoral distribution and the related carrying amounts on associates

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	3.766	3.766
Total	3.766	3.766

8.4. Quoted Associates

None (December 31, 2015 - None).

8.5. Valuation of investments in associates

	Current Period	Prior Period
Valued at Cost	3.766	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	3.766	3.766

8.6. Investments in associates sold during the current period

None (December 31, 2015 - None).

9. Investments in subsidiaries (Net)

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are non financial investments, they are instead valued by cost method.

Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	%99,91	%99,99
2. EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	%51,00	%51,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	43.976	22.574	17.200	-	-	(59)	3.187	-
2.	10.619	5.268	6.353	130	-	152	12	-

(*) Current year information is based on 30 June 2016 financials. Prior year profit and loss amounts are based on 30 June 2015 financials.

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b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries(*)

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Finans Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99,60	99,80
2. Finans Finansal Kiralama A.Ş. (*)	İstanbul/Turkey	81,18	98,87
3. Hemenal Finansman A.Ş. (**)	İstanbul/Turkey	100,00	100,00
4. Finans Portföy Yönetimi A.Ş.	İstanbul/Turkey	0,01	99,78
5. Finans Faktoring A.Ş.	İstanbul/Turkey	99,99	100,00

(*) On February 3, 2016 in accordance with the Board of Directors of Bank, it is been decided to acquire 3.434.632 shares NBG owns in Finans Finansal Kiralama A.Ş. representing the %29,87 of Finans Finansal Kiralama's equity and with TL 34.346 nominal amount for TL 128.112. Subject share transfer has occurred on 8 February 2016. Together with this transaction, the Parent Bank's share in Finans Finansal Kiralama A.Ş. has reached 80,92%.

(**) As of 9 November 2015, acquisition of PSA Finansman Anonim Şirketi has been approved by BRSA and share transfer of subject company has been completed as of 14 December 2015. Additionally, the trade name of PSA Finansman Anonim Şirketi has been changed to Hemenal Finansman Anonim Şirketi as of April, 18 2016.

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (**)
1.	329.132	137.014	3.782	5.085	792	6.981	38.135	66.775
2.	2.293.064	637.337	3.385	105.169	-	28.238	24.931	387.449 (*)
3.	6.939	6.709	2.423	205	-	(1.679)	-	-
4.	12.958	11.987	152	751	2	7	1.108	-
5.	668.011	42.536	1.178	45.687	-	3.896	721	42.547

(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	324.954	426.813
Movements during the Period	180.213	(101.859)
Purchases(*)	128.112	18.395
Bonus Shares Received(**)	1.257	-
Dividends from Current Year Profit	-	-
Disposals (***)	-	(14.512)
Changes Due to Reclassification	-	-
Revaluation Difference	50.844	(105.742)
Impairment Provision	-	-
Balance at the End of the Period	505.167	324.954
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) In the current period, 3.434.632 shares NBG owns in Finans Finansal Kiralama A.Ş. representing the %29,87 of Finans Finansal Kiralama's equity and with TL 34.346 nominal amount for TL 128.112. has been bought from NBG. In prior period Finans Faktoring A.Ş. increased its capital at an amount of TL 10.000 through rights offering. Also in prior period, PSA Finansman A.Ş., whose share transfer transactions are completed, has been acquired with a price of TL 8.395 as of December 14, 2015.

(**) Due the share of QNB in Finans Finansal Kiralama A.Ş. capital exceeds 97%, in accordance with the Communique on Right of Squeeze out and Sale of CMB numbered II-27.2, the right of sale of the other shareholder's became effective. Related amount consists of purchased shares through QNB with the use of aforementioned right.

(***) Represents the cash outflow as a result of liquidation of Finans Yatırım Ortaklığı A.Ş. realized as of December 7, 2015.

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b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	42.547	40.918
Leasing Companies	387.449	206.691
Finance Companies	8.395	8.395
Other Subsidiaries	66.776	68.950
Total	505.167	324.954

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	387.449	206.691
Quoted on International Stock Exchanges	-	-
Total	387.449	206.691

b.5) Explanation to capital adequacy of the significant subsidiaries

None.

10. Investments in entities under common control

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş. (*)	İstanbul/Türkiye	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Türkiye	33,33%	33,33%
	Total		Current	Prior
	Total	Shareholders'	Fixed	Interest
	Assets	Equity	Asset	Income
			Income	Securities
			Profit/Loss	Income
			Profit/Loss	Profit/Loss
			Company's	Fair Value
1.(*)	959.626	77.705	644.784	-
2.(*)	38.749	26.338	17.092	-

(*) Current period information and amounts of previous period profit and loss are determined based on financial statements as of June 30, 2016 and June 30, 2015 respectively.

11. Information on finance lease receivables (Net)

11.1. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	962.182	800.906	882.384	743.014
Between 1-4 years	1.348.149	1.164.750	1.217.954	1.056.664
Over 4 years	166.222	152.438	150.502	137.274
Total	2.476.553	2.118.094	2.250.840	1.936.952

Finance lease receivables include non-performing finance lease receivables amounting to TL 150.276 (December 31, 2015 – TL 130.767) and specific provisions amounting to TL 87.735 (December 31, 2015 – TL 74.316).

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Changes in non-performing finance lease receivables provision as of June 30, 2016 and June 30, 2015, are as follows:

	Current Period	Prior Period
End of prior period	74.316	96.339
Provided provision / (reversal), Net	14.152	11.458
Collections	(733)	(907)
Provision at the end of the period	87.735	106.890

11.2. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	2.476.553	2.250.840
Unearned Finance Income (-)	358.459	313.888
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	2.118.094	1.936.952

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

12. Information on hedging purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	1.786.292	21.634	2.292.114	18.069
Cash Flow Hedge	671.154	-	927.791	1.035
Net Investment Hedge	-	-	-	-
Total	2.457.446	21.634	3.219.905	19.104

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of June 30, 2016, TL 19.719 (December 31, 2015 - TL 14.078) from securities issued, TL 1.915 (December 31, 2015 - none) from funds borrowed, and TL 1.786.292 (December 31, 2015 - TL 2.292.114) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. There is no fair value of derivative financial instruments used in fair value hedging of securities as of June 30, 2016 (December 31, 2015 - TL 3.991).

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13. Information on tax asset

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements.

Deferred tax asset is TL 42.482 (December 31, 2015 – TL 100.943) and there is no deferred tax liability (December 31, 2015- None) after deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 98.161 are netted under equity. (December 31, 2015 – TL 53.256 deferred tax assets).

	Accumulated		Deferred Tax	
	Temporary Differences		Assets/(Liabilities)	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Provision for Employee Rights	236.894	250.505	47.379	50.101
Difference Between the Book Value of Financial Assets and Tax Base	613.281	433.187	122.656	86.637
Other	434.433	356.428	86.887	71.286
Deferred Tax Assets			256.922	208.024
Difference Between the Book Value Financial Fixed Assets and Tax Base	(188.081)	(194.138)	(37.616)	(38.828)
Difference Between the Book Value of Financial Assets and Tax Base	(260.808)	(85.255)	(52.162)	(17.051)
Other	(623.310)	(256.008)	(124.662)	(51.202)
Deferred Tax Liabilities			(214.440)	(107.081)
Deferred Tax Assets/(Liabilities), Net			42.482	100.943

	Current Period	Prior Period
	01.01-30.06.2016	01.01-30.06.2015
Deffered Tax as of January 1 Active/ (Passive) - Net	100.943	60.691
Deferred Tax (Loss) / Gain	(103.366)	14.739
Deferred Tax that is Realized Under Shareholder's Equity	44.905	(818)
June 30 Deferred Tax Active/ (Passive) - Net	42.482	74.612

14. Information on assets held for sale and discontinued operations

As of June 30, 2016, the Bank's assets held for sale is nil (December 31, 2015: None).

Transfer of titles for the Bank's Gayrettepe Headquarter Building on Istanbul, Şişli, Mecidiyeköy, map section 307, Isle 1956, Parcel 41 and Polat Residence on Istanbul, Şişli, Mecidiyeköy, map section 303, Isle 1997 has been completed in March 25, 2015 and April 27, 2015, respectively. Subject buildings, which were accounted as assets held for sale, have been sold for USD 65.250.000 and USD 28.000.000, respectively. Additionally, it has been decided for the Akmerkez floors to be sold for USD 19.670.000 and the sale has occurred as of March 24, 2015.

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15. Information on other assets:

15.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Cheques Receivables from Other Banks	462.361	271.452
Other Prepaid Expenses	445.558	355.425
Collateral Given for Derivative Transactions	342.089	120.904
Assets Held for Resale (net)	243.734	220.249
Miscellaneous Receivables	104.025	76.491
Prepaid rent expenses	38.881	38.970
Advances Given	3.951	4.380
Prepaid Agency Commissions	3.304	14.330
Other	87.923	108.651
Total	1.731.826	1.210.852

15.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described in note 15.1 section of disclosure.

16. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging	2.457.446	21.634	3.219.905	19.104
Assets on Trading Derivatives	1.484.768	312.371	1.988.998	248.382
Loans	934.796	147.861	933.534	131.096
Investment securities held to maturity	72.650	14.062	73.776	10.784
Investment Securities Available for Sale	74.052	132.071	43.025	52.031
Central Bank	12.768	24	8.497	-
Lease Receivables	8.097	8.353	7.115	8.652
Trading Securities	1.085	182	1.147	18
Banks	-	-	37	-
Other Accruals	35.768	694	17.759	1.521
Total	5.081.430	637.252	6.293.793	471.588

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SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity structure of deposits:

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.220.276	-	2.594.606	13.991.387	580.484	307.243	808.547	-	20.502.543
Foreign Currency Deposits	3.757.090	-	1.996.812	12.756.557	1.190.749	200.480	435.791	329	20.337.808
Residents in Turkey	3.687.786	-	1.977.007	12.550.537	1.159.912	185.565	391.789	305	19.952.901
Residents Abroad	69.304	-	19.805	206.020	30.837	14.915	44.002	24	384.907
Public Sector Deposits	308.430	-	2.678	59.584	260	-	96	-	371.048
Commercial Deposits	1.936.463	-	1.355.664	3.409.124	773.894	152.840	173.123	-	7.801.108
Other Ins. Deposits	28.965	-	126.422	697.165	36.464	363.413	15.674	-	1.268.103
Precious Metal Deposits	388.448	-	-	1.909	280	1.215	53.450	-	445.302
Bank Deposits	20.823	-	84.189	1.848.903	271.526	6.581	2.039	-	2.234.061
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5.616	-	67.498	40.785	-	4.079	2.039	-	120.017
Foreign Banks	11.336	-	16.691	1.808.118	271.526	2.502	-	-	2.110.173
Participation Banks	3.871	-	-	-	-	-	-	-	3.871
Other	-	-	-	-	-	-	-	-	-
Total	8.660.495	-	6.160.371	32.764.629	2.853.657	1.031.772	1.488.720	329	52.959.973

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	1.836.314	-	2.453.079	13.626.243	628.259	260.686	880.499	3.002	19.688.082
Foreign Currency Deposits	3.308.178	-	1.962.058	11.091.252	866.874	169.550	436.221	3.306	17.837.439
Residents in Turkey	3.250.191	-	1.939.519	10.758.820	839.704	159.101	395.311	3.306	17.345.952
Residents Abroad	57.987	-	22.539	332.432	27.170	10.449	40.910	-	491.487
Public Sector Deposits	236.348	-	509	137.003	408	387	76	-	374.731
Commercial Deposits	1.729.189	-	1.624.291	3.542.286	345.933	115.456	178.330	-	7.535.485
Other Ins. Deposits	35.463	-	104.997	662.999	10.997	5.763	67.858	-	888.077
Precious Metal Deposits	376.794	-	-	4.325	101	-	49.473	-	430.693
Bank Deposits	26.037	-	133.860	1.194.672	189.475	12.244	482	-	1.556.770
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	7.652	-	110.195	105.521	-	-	-	-	223.368
Foreign Banks	18.385	-	23.665	1.089.151	189.475	12.244	482	-	1.333.402
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	7.548.323	-	6.278.794	30.258.780	2.042.047	564.086	1.612.939	6.308	48.311.277

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1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit:

	Covered by		Exceeding the	
	Deposit Insurance Fund	Deposit Insurance Fund	Deposit Insurance Limit	Deposit Insurance Limit
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	11.334.900	10.434.904	9.166.386	9.249.580
Foreign Currency Savings Deposits	2.704.899	2.473.087	10.778.666	9.041.063
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	14.039.799	12.907.991	19.945.052	18.290.643

1.2. Savings deposits in Turkey are not covered under insurance in another country since the headquarter of the Group is not located abroad.

1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	43.650	61.131
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	6.092	5.707
Total	49.742	66.838

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	45.010	-	53.207	-
Swaps	1.323.579	291.826	1.829.702	153.242
Futures	-	1.403	-	273
Options	32	49.654	-	120.040
Other	-	-	-	-
Total	1.368.621	342.883	1.882.909	273.555

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3. Information on funds borrowed:

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	275.779	556.649	377.357	591.563
Foreign Banks, Institutions and Funds	150.523	6.504.410	124.573	4.972.564
Total	426.302	7.061.059	501.930	5.564.127

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	325.877	4.530.276	406.735	3.301.344
Medium and Long-Term	100.425	2.530.783	95.195	2.262.783
Total	426.302	7.061.059	501.930	5.564.127

In accordance with the diversified payment rights programme, the Parent Bank obtained securitization loans amounting to USD 75 million and EUR 10 million with five years maturity and amounting to EUR 50 million with twelve years maturity on December 20, 2012.

In accordance with the diversified payment rights programme, the Parent Bank obtained securitization loans amounting to USD 280 million with five years maturity on September 18, 2015.

The Bank has obtained syndication loans with 1 year maturity, amounting to USD 99.5 million and EUR 376 million on November 25, 2015 and November 26, 2015, respectively.

c) Additional information on concentrations of the Group's liabilities

As of June 30, 2016, the Group's liabilities comprise; 56% deposits (December 31, 2015 – 55%), 8% funds borrowed (December 31, 2015 – 7%), 5% issued bonds (December 31, 2015 – 7%) and 6% funds provided under repurchase agreements (December 31, 2015 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2.708.816	-	2.801.758	-
Financial institutions and organizations	2.681.827	-	2.760.367	-
Other institutions and organizations	8.714	-	10.130	-
Real persons	18.275	-	31.261	-
From foreign transactions	7.730	2.685.418	2.410	1.857.920
Financial institutions and organizations	-	2.685.418	-	1.857.920
Other institutions and organizations	7.730	-	2.241	-
Real persons	-	-	169	-
Total	2.716.546	2.685.418	2.804.168	1.857.920

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.181.603	30.041	770.076	-
Bills	111.901	3.706.455	71.075	4.985.836
Total	1.293.504	3.736.496	841.151	4.985.836

The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 2 Billion.

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6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceed 20% of the individual liability item in the consolidated balance sheet

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2015 – Does not exceed 10%).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2015 – None).

7.2. Financial lease payables

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the “Other Assets” account.

7.4. Information on “Sale -and- lease back” agreements

The Group does not have any sale-and-lease back transactions in the current period (December 31, 2015 – None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	17.635	280.262	-	178.808
Cash Flow Hedge (**)	364.532	96.052	60.229	44.407
Net Investment Hedge	-	-	-	-
Total	382.167	376.314	60.229	223.215

(*) Derivative financial instruments for hedging purposes include swaps. As of June 30, 2016, TL 45.356 (December 31, 2015 – TL 25.804) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 252.541 (December 31, 2015 – TL 152.099) represents hedged available sale portfolio. As of June 30, 2016, fair value of derivatives which are hedging instruments of hedged borrowings is none (December 31, 2015 – TL 905) .

(**) Represents the fair values of derivatives which are the hedging instruments of deposits’ cash flow risk.

9. Information on provisions

9.1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	951.013	905.191
-Additional Provision for Loans and Receivables with Extended Maturities	58.870	52.253
Provisions for Loans and Receivables in Group II	155.206	167.383
-Additional Provision for Loans and Receivables with Extended Maturities	37.714	38.079
Provisions for Non - Cash Loans	99.782	85.275
Other	37.899	32.554
Total	1.243.900	1.190.403

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9.2. Provision for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	35.950	20.065

(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

9.3. Specific provisions for non cash loans that are not indemnified and converted into cash

The specific provision for non cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 35.871 (December 31,2015 - TL 36.737).

9.4 Information on employee termination benefits and unused vacation accrual

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of June 30, 2016, TL 138.915 (December 31, 2015 - TL 130.051) reserve for employee termination benefits was provided in the accompanying financial statements.

As of June 30, 2016, the Group accrued TL 44.650 (December 31, 2015 - TL 36.821) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of June 30, 2016, TL 53.329 (December 31, 2015 – TL 83.633) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1 Movement of employee termination benefits

	Current Period	Prior Period
	01.01-30.06.2016	01.01-30.06.2015
As of January 1	130.051	120.546
Service cost	9.455	9.423
Interest Cost	6.954	4.883
Settlement / curtailment / termination loss	5.664	4.059
Paid during the period	(13.209)	(11.820)
Total	138.915	127.091

9.5. Information on other provisions

9.5.1. Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
General Reserves for Possible Risks	100.000	100.000
Provision for Closely Monitored Loans	89.071	106.241
Provision for Promotion Expenses of Credit Cards	7.438	6.458
Other Provisions	95.745	87.297
Total	292.254	299.996

As at 30 June 2016, the Parent Bank has made a provision for watch list loans amounting to TL 89.071 (31 December 2015 – 106.241) based on collection rates for subject loans.

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10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of June 30, 2016, the Group has current tax liability of TL 28.270 (December 31, 2015 - TL 223.245) and advance taxes of TL 8.192 TL (December 31, 2015 - TL 165.664).

The current tax liability and the advance taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of June 30, 2016, after the offsetting, the current tax liability amounting to TL 20.078 (December 31, 2015 – TL 57.581) is disclosed with current tax receivable TL 642 (December 31– 6.846 TL)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	20.078	57.581
Banking and Insurance Transaction Tax (BITT)	46.126	48.440
Taxation on Securities Income	3.014	2.008
Taxation on Real Estates Income	52.390	50.131
VAT Payable	151	334
Other	19.792	23.552
Total	141.551	182.046

The Group presents The “Corporate Taxes Payable” balance in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying consolidated financial statements.

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	8.633	7.806
Social Security Premiums - Employer Share	9.395	8.525
Pension Fund Fee and Provisions – Employee Share	22	5
Pension Fund Fee and Provisions – Employer Share	52	15
Unemployment Insurance - Employee Share	592	551
Unemployment Insurance - Employer Share	1.185	1.100
Other	17	13
Total	19.896	18.015

11. Information on payables related to assets held for sale

None. (December 31, 2015- None)

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12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	2.649.930	-	2.662.119
From Other Foreign Institutions	-	-	-	-
Total	-	2.649.930	-	2.662.119

The Parent Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 was paid back in 2010 to be used in capital increase. In addition, the Parent Bank received USD 260 million of subordinated loans in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity. USD 585 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. In accordance with the share purchase agreement signed on 21 December 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.000.000	3.000.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.000.000	12.000.000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period.

None (December 31, 2015- 165.000 TL).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2015 - None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Group does not have any capital commitments, all of the capital is fully paid-in.

13.6. Prior periods' indicators related with the Parent Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Parent Bank's equity

None (December 31, 2015 - None).

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2015 - None).

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14. Common stock issue premiums, shares and equity instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Number of Stocks (Thousands)		30.000.000		30.000.000
Preferred Capital Stock		-		-
Common Stock Issue Premiums ^(*)		714		714
Common Stock Withdrawal Profits		-		-

^(*) Due to the Parent Bank's capital increase at the prior periods, common stock issue premiums accounted amounting to TL 714.

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control				
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	(19.260)	(163.743)	(65.962)	(178.297)
Valuation Differences	(19.260)	(163.743)	(65.962)	(178.297)
Foreign Exchange Rate Differences			-	-
Total	(19.260)	(163.743)	(65.962)	(178.297)

16. Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liabilities side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	217.576	26.138	206.708	21.995
Derivative Financial Liabilities Held for Trading	1.368.621	342.883	1.882.909	273.555
Funds Borrowed	20.528	50.053	16.943	49.026
Money Market Borrowings	1.707	3.894	2.349	4.811
Derivative Financial Liabilities Held for Hedging	382.167	376.314	60.229	223.215
Issued Securities	1.901	48.647	1.075	44.863
Other Accruals	101.926	158	44.824	78
Total	2.094.426	848.087	2.215.037	617.543

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SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	16.343.878	16.255.578
Commitment For Use Guaranteed Credit Allocation	17.083.460	14.365.003
Payment Commitments for Cheques	2.746.274	2.558.758
Forward Asset Purchase Commitments	6.961.749	803.658
Other Irrevocable Commitments	1.090.844	567.592
Credit Cards and Promosions in regards to Banking Services		
Commitments for promotions related with credit cards and banking activities	36.221	34.278
Tax and Fund Liabilities due to Export Commitments	8.611	8.479
Total	44.271.037	34.593.346

1.2. Type and amount of possible losses from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TL 35.781 (December 31, 2015 – TL 36.736) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet. Tax and Fund Liabilities due to Export Commitments.

1.3. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	1.221.332	795.562
Letters of Credit	1.134.380	651.319
Other Guarantees	1.125.355	-
Total	3.481.067	1.446.881

1.4. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	656.912	373.483
Final Letters of Guarantee	4.868.040	4.716.970
Advance Letters of Guarantee	440.726	457.160
Letters of Guarantee Given to Customs Offices	299.490	325.424
Other Letters of Guarantee	3.614.648	3.155.908
Total	9.879.816	9.028.945

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	982.426	771.408
Less Than or Equal to One Year with Original Maturity	304.222	95.968
More Than One Year with Original Maturity	678.204	675.440
Other Non-Cash Loans	12.378.457	9.704.418
Total	13.360.883	10.475.826

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3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	110.562	1,43	4.889	0,09	28.986	0,48	6.200	0,14
Farming and Raising Livestock	106.222	1,37	4.704	0,09	26.741	0,44	6.149	0,14
Forestry	677	0,01	-	-	963	0,02	-	-
Fishing	3.663	0,05	185	-	1.282	0,02	51	-
Manufacturing	1.192.807	15,42	3.005.981	53,42	1.083.869	18,04	2.298.573	51,46
Mining and Quarrying	69.285	0,90	19.942	0,35	52.298	0,87	19.420	0,43
Production	854.857	11,05	2.415.103	42,92	813.184	13,53	1.676.460	37,54
Electricity, gas and water	268.665	3,47	570.936	10,15	218.387	3,63	602.693	13,49
Construction	2.277.124	29,44	680.849	12,10	1.536.308	25,56	767.217	17,18
Services	3.684.731	47,64	1.828.780	32,50	3.268.772	54,39	1.371.772	30,71
Wholesale and Retail Trade	2.106.683	27,24	749.736	13,33	1.938.370	32,26	580.540	13,00
Hotel, Food and Beverage Services	96.727	1,25	76.567	1,36	76.266	1,27	72.025	1,61
Transportation&Communication	150.072	1,94	208.968	3,71	129.391	2,15	61.789	1,38
Financial Institutions	705.149	9,12	608.975	10,82	665.350	11,07	487.465	10,91
Real Estate and Renting Services	11.776	0,15	3.994	0,07	4.145	0,07	2.574	0,06
Self Employment Services	241.241	3,12	37.600	0,67	211.077	3,51	36.507	0,82
Educational Services	6.436	0,08	-	-	6.667	0,11	-	-
Health and Social Services	366.647	4,74	142.940	2,54	237.506	3,95	130.872	2,93
Other	469.098	6,07	106.062	1,89	91.507	1,52	22.622	0,51
Total	7.734.322	100,00	5.626.561	100,00	6.009.442	100,00	4.466.384	100,00

4. Information on non-cash loans classified in first and second groups

Current Period ^(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	6.545.304	3.110.134	148.958	39.549
Bill of Exchange and Acceptances	7.497	1.213.021	-	814
Letters of Credit	5.000	1.128.698	-	682
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	998.672	126.683	-	-
Non-cash Loans	7.556.473	5.578.536	148.958	41.045

(*) Does not include non-cash loans amounting to TL 35.871, for which provision is provided, but which are not indemnified and not liquidated yet.

Prior Period ^(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	5.950.440	3.038.895	2.874	-
Bill of Exchange and Acceptances	23.085	772.186	-	291
Letters of Credit	5.002	646.317	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	5.978.527	4.457.398	2.874	291

(*) Does not include non-cash loans amounting to TL 36.736 for which provision is provided, but which are not indemnified and not liquidated yet.

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5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	85.152.124	105.822.669
Forward transactions (*)	13.570.221	9.330.881
Swap transactions	57.082.271	82.827.776
Futures transactions	81.792	32.720
Option transactions	14.417.840	13.631.292
Interest Related Derivative Transactions (II)	11.059.504	11.990.098
Forward rate transactions	-	-
Interest rate swap transactions	11.059.504	11.454.624
Interest option transactions	-	-
Futures interest transactions	-	535.474
Security option transactions	-	-
Other trading derivative transactions (III)	708.932	712.362
A. Total Trading Derivative Transactions (I+II+III)	96.920.560	118.525.129
Types of hedging transactions		
Fair value hedges	14.823.963	17.764.451
Cash flow hedges	21.042.334	18.870.159
Net investment hedges	-	-
B. Total Hedging Related Derivatives	35.866.297	36.634.610
Total Derivative Transactions (A+B)	132.786.857	155.159.739

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	2.483.300	1.737.224	17.240.249	25.086.144	3.291.060	3.241.844	-	-	-
USD	2.050.418	3.979.059	31.483.060	20.404.406	2.858.193	3.077.697	40.896	40.896	708.932
Euro	761.153	565.790	4.258.381	3.088.296	1.009.105	684.600	-	-	-
Other	1.499.423	493.854	404.712	2.058.223	73.484	181.857	-	-	-
Total	6.794.294	6.775.927	53.386.402	50.637.069	7.231.842	7.185.998	40.896	40.896	708.932

(*) This column also includes hedging purpose derivatives.

(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy ^(*)	Swap Sell ^(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	2.708.325	1.455.137	20.079.557	30.812.688	2.727.400	2.459.930	347	347	-
USD	1.098.411	2.750.074	41.217.474	28.854.994	2.587.585	2.852.748	283.750	283.750	712.362
Euro	797.778	386.959	5.512.546	3.263.619	1.500.712	1.501.634	-	-	-
Other	64.075	70.122	289.895	886.237	292	991	-	-	-
Total	4.668.589	4.662.292	67.099.472	63.817.538	6.815.989	6.815.303	284.097	284.097	712.362

(*) This column also includes hedging purpose derivatives.

(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

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5.1 Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 3.625.077 (December 31, 2015 – TL 4.352.016) were subject to hedge accounting by swaps with a nominal of TL 4.090.549 (December 31, 2015 – TL 4.378.077). On June 30, 2016 the net market valuation difference loss amounting to TL 16.955 due to the gain from the loans amounting to TL 184.671 (June 30, 2015 – TL 151.843 loss) and loss from swaps amounting to TL 167.716 (June 30, 2015 – TL 140.866 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 154.929 (December 31, 2015 – TL 156.493) have been subject to hedge accounting with swaps with a nominal amount of TL 145.829 (December 31, 2015 – TL 150.774). In 2016 TL 1.100 net fair valuation difference income, net of TL 2.978 (June 30, 2015 – TL 3.255 loss) gain from loans and TL 1.878 (June 30, 2015 – TL 3.386 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Parent Bank has booked the valuation effect amounting to TL 5.298 (June 30, 2015 – TL 11.712) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

b) Investment securities available for sale

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 378,7 million and EUR 75,8 million (December 31, 2015 – USD 365,7 million and EUR 75,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On June 30 , 2016, the net market valuation difference loss amounting to TL 1.974 due to gain from Eurobonds amounting to TL 108.984 (June 30, 2015 – TL 13.079 loss) and loss from swaps amounting to TL 110.959 (June 30, 2015 – TL 13.108 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period. December 31, 2015 – None.)

c) Bonds issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2015 – USD 650 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of June 30, 2016, TL 468 net fair valuation difference loss, net of TL 8.909 (June 30, 2015 – TL 554 gain) loss from issued bonds and 1.003 gain from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

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d) Tangible Assets

The Parent Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Parent Partner Bank has recognized a cumulative amount of TL 56.612 mark to market exchange difference income (June 30, 2015 – TL 59.663) whose TL 2.450 portion is a mark-to-market exchange difference expense in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2015 - EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 10 sourcing from loss at an amount of TL 2.801 (June 30, 2015 - None) from aforementioned credit and income at an amount of TL 2.812 (June 30, 2015 - None) from swaps is recognized under “Gain/loss from Derivative Financial Transactions.”

5.2 Cash flow hedge accounting

a) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 1 month, the Parent Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.750.130 are subject to hedge accounting as hedging instruments (December 31, 2015 – TL 4.035.130). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 183.634 are accounted for under equity during the current period (June 30, 2015 – TL 48.750 gain). The amounts for the ineffective portion of expenditures in the amount of TL 2 (loss) is associated with the income statement (June 30, 2015 – TL 1 gain)

As of the balance sheet date, swaps with a nominal amount of USD 1.630 million (December 31, 2015 – USD 1.877 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 139 million (December 31, 2015 – EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 120.870 are accounted under equity during the current period (June 30, 2015 – TL 82.720 gain). The loss amounting to TL 1.345 (June 30, 2015 – TL 265 gain) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is income of TL 2.848 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (June 30, 2015 – TL 2.531 loss).

The measurements as of June 30, 2016, hedge of cash flow transactions stated above are determined as effective.

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6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2016, the Parent Bank has no commitments “credit linked notes” (As of December 31, 2015, None).

As of June 30, 2016, “Other Derivative Financial Instruments” with nominal amount of USD 245.000.000 (December 31, 2015: USD 225.000.000) are included in Parent Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, Bank is the seller of the protection. For USD 245.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 31.660 (December 31, 2015 - TL 37.644) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

8. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Parent Bank’s rating by international rating institutions

MOODY’S June 2016		FITCH June 2016		CI Aug 2015	
Long-Term Deposit Rating (FC)	Ba1	Long -Term Foreign Curr.	BBB	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F2	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB+	FC Appearance	Stable
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F2	TL Appearance	Stable
Main Credit Evaluation	Ba3	Long-Term National	AAA(tur)	Long Term (TL)	BB+
Appearance	Stable	Appearance	Stable	Short Term (TL)	B
		Support	2	Financial Strength Rating	BBB
		Financial Capacity Rating	bbb-	Financial Strength Appearance	Stable
				Support	4

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IV. EXPLANATIONS ON DISCLOSURES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	1.696.061	18.694	1.466.088	28.869
Medium and Long-Term Loans	1.758.214	223.696	1.444.468	170.666
Non-Performing Loans	38.464	-	39.561	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	3.492.739	242.390	2.950.117	199.535

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	122	-	-
Domestic Banks	1.620	8	1.794	4
Foreign Banks	1.460	2.423	213	768
Foreign Headquarters and Branches	-	-	-	-
Total	3.080	2.553	2.007	772

(*) The interest income on Required Reserve amounting TL 25.353 is not included in interest income on Banks. (June 30, 2015 : 2.884).

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	2.531	135	1.247	122
Financial Assets at FVTPL	2.477	150	5.008	320
Investment Securities Available for Sale	174.816	53.131	156.483	51.211
Investment Securities Held to Maturity	141.499	25.231	137.069	20.449
Total	321.323	78.647	299.807	72.102

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. In this context, as of 30 June 2016, valuation of such assets is made according to estimated annual inflation rate of 7,5%. If valuation of these securities indexed to the CPI had been done by the reference index valid through 30 June 2016, the Bank's Marketable securities valuation differences would be increased by TL 2 million (in full TL amount) and net profit would be increased by TL 7 million (in full TL amount) to TL 578 million (in full TL amount).

d) Information on interest income received from associates and subsidiaries:

None (June 30, 2015 – None)

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2. a) Information on interest expense related to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	29.617	155.652	35.005	124.645
T.R. Central Bank	-	-	-	-
Domestic Banks	15.601	8.756	20.103	7.883
Foreign Banks	14.016	146.896	14.902	116.762
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	29.617	155.652	35.005	124.645

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	601	3.728

c) Information on interest expense paid to securities issued

As of June 30, 2016 the interest amount paid to securities issued is TL 163.639 (June 30, 2015 – TL 196.917)

d) Information on maturity structure of interest expenses on deposits

Account Name	Current Period		Time Deposits				Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	5.388	3.209	123	246	-	-	8.966
Saving Deposits	-	113.363	817.621	31.361	15.653	47.171	-	1.025.169
Public Sector Deposits	-	76	4.362	12	11	5	-	4.466
Commercial Deposits	-	96.634	259.400	37.920	8.378	11.104	-	413.436
Other Deposits	-	1.888	39.955	4.323	22.266	686	-	69.118
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	217.349	1.124.547	73.739	46.554	58.966	-	1.521.155
Foreign Currency								
Deposits	-	15.968	131.635	8.844	2.082	4.102	-	162.631
Bank Deposits	22	7.820	2.117	24	-	-	-	9.983
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	348	-	-	-	-	-	348
Total	22	24.136	133.752	8.868	2.082	4.102	-	172.962
Grand Total	22	241.485	1.258.299	82.607	48.636	63.068	-	1.694.117

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Account Name	Time Deposits						Accumulated Deposit Account	Total
	Prior Period	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year		
Turkish Lira								
Bank Deposits	-	3.018	5.623	846	-	-	-	9.487
Saving Deposits	-	91.782	608.769	12.775	11.209	61.246	-	785.781
Public Sector Deposits	-	544	2.658	20	17	-	-	3.239
Commercial Deposits	-	77.702	202.176	11.901	5.424	5.816	-	303.019
Other Deposits	-	3.996	78.875	1.509	17.372	11.791	-	113.543
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	177.042	898.101	27.051	34.022	78.853	-	1.215.069
Foreign Currency								
Deposits	-	10.708	92.885	3.130	1.756	5.642	-	114.121
Bank Deposits	16	7.758	2.055	175	3	-	-	10.007
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	281	-	-	-	-	-	281
Total	16	18.747	94.940	3.305	1.759	5.642	-	124.409
Grand Total	16	195.789	993.041	30.356	35.781	84.495	-	1.339.478

e) **Information on interest expenses on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	87.781	10.342	98.472	6.688

(*) Disclosed in "Interest on Money Market Transactions".

f) **Information on finance lease expenses**

None (June 30, 2015 – None).

g) **Information on interest expenses on factoring payables**

None (June 30, 2015 – None).

3. **Information on dividend income**

	Current Period	Prior Period
Financial Assets Held for Trading	77	57
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	4	-
Total	81	57

4. **Information on trading income/loss**

	Current Period	Prior Period
Trading Gain	7.780.894	9.445.622
Gains on Capital Market Operations	42.377	48.906
Derivative Financial Instruments	2.298.053	2.277.346
Foreign Exchange Gains	5.440.464	7.119.370
Trading Loss (-)	8.142.922	9.708.833
Losses on Capital Market Operations	26.953	36.507
Derivative Financial Instruments	2.689.599	2.531.749
Foreign Exchange Losses	5.426.370	7.140.577
Net Trading Income/Loss	(362.028)	(263.211)

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5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in “Other Operating Income” account. In addition, amounting to TL151.532 gain reflected in the consolidated financial statements of the Parent’s Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Parent’s Bank owns.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	587.177	405.753
Loans and Receivables in Group III	130.469	104.538
Loans and Receivables in Group IV	127.112	86.297
Loans and Receivables in Group V	329.596	214.918
General Provisions	53.497	171.050
General reserves for possible risks	-	(36.000)
Provision for Free Reserves on Possible Losses	(17.170)	6.984
Impairment Losses on Securities	-	94
Financial assets at fair value through profit or loss	-	94
Investment Securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	(555)	3.657
Total	622.949	551.538

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	576.710	549.871
Reserve for employee termination benefits	8.864	6.545
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	70.297	68.867
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	52.960	43.945
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	3.075	1.701
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	480.238	432.924
Operational lease related expenses	113.367	110.134
Repair and maintenance expenses	62.090	42.084
Advertisement expenses	43.317	33.202
Other expenses	261.464	247.504
Losses on sales of assets	1.348	35
Other	282.369	280.441
Total	1.475.861	1.384.329

(*) Comprising repayments amounting to TL 55.474 (June 30, 2015: TL 82.995) in respect of Consumer Arbitration Committee and courts’ decision, which was fees and commissions recognized in previous year as income.

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8. Information on profit/loss from continued and discontinued operations before taxes

For the period ended June 30, 2016, net interest income of TL 2.184.885 (June 30, 2015 – TL 1.878.502), net fees and commission income of TL 701.985 (June 30, 2015 – TL 697.092) and other operating income of TL 283.193 (June 30, 2015 – TL 235.498) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of June 30, 2016, the Group recorded current tax charge of TL 28.521 (June 30, 2015 - TL 125.022) and a deferred tax charge of TL 103.366 (June 30, 2015 – TL 14.739 deferred tax gain).

	Current Period	Prior Period
Current Tax Provision	(28.521)	(125.022)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(103.366)	14.739
Total	(131.887)	(110.283)

9.2. Explanations on operating profit/loss after taxes

None (June 30, 2015 – None).

10. Explanations on net profit/ (loss) from continued and discontinued operations:

Net profit of the Group from continued operations is TL 570.851 (June 30, 2015 – TL 495.853).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None (June 30, 2015 – None).

11.2. There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods.

None.

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	1.658	8.040

11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total or items that comprise at least 20% of the income statement

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Parent Bank.

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SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT

Have not been prepared in accordance with the 25th clause of Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements.

VI. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

Current period transactions of Parent's Bank related to its Direct and Indirect Partners include QNB group since the share transfer of the Bank to QNB has been completed on June 15, 2016.

1.1. As of June 30, 2016, the Parent Bank's risk group has deposits amounting to TL 184.106 (December 31, 2015 – TL 270.250), non cash loans amounting to TL 7.078 (December 31, 2015 – TL 33.930).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	11.315	-	21.651	-	964
Balance at the End of the Period	-	5.998	-	49.191	85	1.080
Interest and Commission Income	-	83	-	-	11	7

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	1.715	34.288	-	702
Balance at the End of the Period	-	11.315	-	21.651	-	964
Interest and Commission Income (**)	-	-	-	18	-	6

(*) As described in the Article 49 of Banking Law No 5411.

(**) Represents June 30, 2015 balance.

1.2. Information on deposits held by the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	11.345	202.176	-	17.036	258.905	19.100
Balance at the End of the Period	19.149	11.345	-	-	164.957	258.905
Interest on deposits (**)	601	3.728	-	4.776	8.238	125

(*) As described in the Article 49 of Banking Law No 5411.

(**) Prior Period represents June 30, 2015 balance.

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1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	168.641	134.496	74.646	102.824
End of the Period	-	-	-	168.641	-	74.646
Total Income/Loss (**)	-	-	-	(2.082)	2.307	1.091
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.

(**) Prior Period represents June 30, 2015 balance.

1.4. As of June 30, 2016, the total amount of remuneration and bonuses paid to top management of the Group is TL 59.036 (June 30, 2015- TL 47.446).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of June 30, 2016, the rate of cash loans of the risk group divided by to total loans is not calculated due to fact that there are no loans provided to the risk group; (December 31, 2015 – 0,3%); the deposits represented 0,3% (December 31, 2015 – 0,6%) The ratio of total derivative transactions with derivatives risk is not calculated because no derivative granted to risk group (December 31, 2015 – 0,2%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Parent Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33,33% shareholding, provides cash transfer services to the Parent Bank.

Information in regards to subordinate loans the Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49,00% jointly controlled for its insurance services.

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VII. Other explanations related to the Group's operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The Parent's Bank has made discount bond issue with an interest of 10.10% having a nominal price of TL120.000.000 and 91 days of maturity on July 15, 2016 and with an interest of 10.50% having a nominal price of TL239.310.000 and 91 days of maturity on July 22, 2016 and with an interest of 10.60% having a nominal price of TL19.700.000 and 186 days of maturity on July 27, 2016.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associates of the Bank, at the rate of 99,81% to QNB at a price of EUR2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

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SECTION SIX

INDEPENDENT LIMITED REVIEW REPORT

I. Explanations on Independent Limited Review Report

The consolidated financial statements for the period ended June 30, 2016 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's review report dated July 29, 2016 is presented preceding the consolidated financial statements.

II. Explanations on the notes prepared by Independent Auditors

None (December 31, 2015 – None).

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SECTION SEVEN

CONSOLIDATED INTERIM ACTIVITY REPORT

I. Interim Consolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations

Message by the Chairman

Dear Shareholders,

Despite the subdued performance of global financial markets and the geopolitical risks in her vicinity, Turkey realized a 4.8% growth rate, rising above expectations.

Postponement of interest rate hikes by the US Federal Reserve Bank (FED) proved to be a relief for emerging markets. At the end of the 2Q of 2016, volatility in capital markets increased as a result of the British referendum outcome of exiting the EU. London's image as the global financial capital was tarnished by this development. It is highly likely that future policies, in addition to this incident, will continue to have a strong impact on markets.

The first half of 2016 was a brand new era for Finansbank. June 15th marked the completion of the acquisition of the shares of our Bank and its affiliates by Qatar National Bank (QNB). This investment initiates a new and unique phase in our success story. Currently, Finansbank is the fifth largest private bank in Turkey with 630 branches and more than 12 thousand employees, who are the true source of our strength. We are thrilled to be entering a new period as much as being a part of the QNB Group.

Finansbank maintained its position in the financial system amid the global and local turmoil it experienced, thanks to its robust strategy and effective management style. The Bank continued to achieve outstanding results due the performance of "Finansçı"s, constituting its greatest strength.

The Group concluded the first half of 2016 with TL 95,6 billion of total assets and TL 571 million in net profit. Compared to 2015 year-end, total loans increased by 5% and reached TL 59,9 billion, while customer deposits increased by 8% to reach TL 50,7 billion. On a year-on-year basis, net interest income increased by 16% and was realized at TL 2,2 billion.

We will continue to our policy of profitable and sustainable growth with the support of QNB, the leading bank in the Middle East and Africa Region, thanks to its robust capital structure and international experience. With its broad and influential international network spanning 30 countries in three continents, QNB will enable us, thanks to its financial strength and stability, to develop and expand the selection of products and services we offer to our commercial and corporate customers.

I would like to thank, first and foremost, our main shareholder QNB for its cooperation and support during the share transfer process. I would also like to thank all our customers and shareholders for their trust bolstering our determination, and "Finansçı"s and stakeholders for their valuable contributions to Finansbank.

Ömer Aras
President and Group CEO, Finansbank A.Ş.

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Message by the General Manager

Dear Shareholders and Board Members,

As the innovative and pioneering force in the Turkish banking system, we at Finansbank concluded a period of volatility in the global financial markets due to uncertainty and geopolitical issues, with successful results. We also finalized the acquisition process of the Bank's shares and its affiliates by Qatar National Bank (QNB), resulting in a stronger Finansbank which will render us greater success in the future.

Our 2016 first-half financials underline our strong capital structure, our trendsetting innovative practices and the positive impact of our people-oriented "Finansçı" approach.

In the first-half of 2016, total assets of the Group have exceeded TL 95 billion.

Our performance in loans continued to reflect on our financials. Compared to 2015 year-end, total loans increased by 5% and reached TL 59,9 billion. Net interest income rose by 16% in the same period and reached TL 2,2 billion. Net fees and commissions remained flat at TL 702 million versus the same period of last year, while shareholder's equity reached TL 9,7 billion.

Customer deposits, which is becoming more and more critical for the sector, benefitted largely from our people-oriented "Finansçı" approach and the trust of our customers. Finansbank's customer deposits increased by 8% year to date to reach TL 50,8 billion. At the same time, the Group posted a net profit of TL 571 million.

By the end of June 2016, Finansbank operated through 630 branches with 13.248 employees.

I would like to thank everyone who add value to Finansbank, my colleagues, our customers, all strategic business partners and correspondent banks.

Temel Güzeloğlu
CEO and Board Member, Finansbank A.Ş.

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Summary Financial Belonging to the Period of 30.06.2016

<i>Principal Financial Indicators (Million TL)</i>	30 June 2016	31 December 2015
Total Loans	59.939	57.110
Securities	10.982	9.254
Total Assets	95.059	88.049
Customer Deposits	50.726	46.755
Equity	9.665	9.405

<i>Profitability</i>	30 June 2016	30 June 2015
Net interest income	2.185	1.879
Net fees and commission income	702	697
Provision loans and other Receivables(-)	623	552
Operating profit before tax	703	606
Tax Provision	132	110
Net profit for the period	571	496

As of June 30, 2016 total assets of Group realized as 95 billion and 59 million TL. When compared with the end of year 2015, total loans increased by 5% and reached 59 billion and 939 million TL while Customer Deposits increased by 8% and reached up to 50 billion and 726 million TL.

When compared with the first six-month of year 2015, net interest income grew %16 and reached 2 billion 185 million TL in the six-month period of the year 2016. Net fees and commission income arrived at 702 million TL. Consolidated profit of the Group before tax reached 703 million TL and the consolidated net profit for the first quarter came in at 571 million TL.

When compared with the end of year 2015, total consolidated shareholders' equity increased by 3% and reached up to 9 billion 665 million TL. As of 30 June, 2016 capital adequacy ratio of the Group was % 14,21.

Information Regarding the Financial Status, Profitability and Solvency of the Bank

Assets:

Finansbank maintained its customer-oriented activities during year 2016 and continued to grow mainly in SME and commercial loans. When compared with the end of year 2015, total consolidated loans increased by 5% and reached 59 billion and 939 million TL in 2016 while total consolidated assets increased by 8% and reached 95 billion and 59 million TL. In 2016, maintaining its growth on strategically focused business segments (Corporate, Commercial and SMEs), the Bank increased its business loans by 2% compared to the end of 2015.

Liabilities:

Total customer deposits of the Group increased by 8% and reached 50 billion and 726 million TL and shareholders' equity increased by %3 and reached 9 billion and 665 million TL.

Profitability:

Net interest income increased by 16% and reached 2 billion and 185 million TL and net fees and commission income remained at 702 million TL. Profit before tax of the Bank reached 703 million TL and the net profit for the period was 571 million TL.

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

Solvency:

Due to its strong capital structure and high shareholders' equity profitability, Finansbank has a sound financial structure. Bank has been utilizing of its capital efficiently for its banking activities and it maintains its profitability of shareholders' equity. When taking into consideration of its funding structure; Finansbank is funding its credit facilities both by its large basis of deposits as well as by utilization of long-term external sources. Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks probable to occur due to differences in the maturity dates.

As having a significant place in the Turkish financial markets; Finansbank with its strong financial structure also proves its credibility by the high ratings it received from the independent rating firms.

Amendments made to the Articles of Association:

None.

Other Issues:

As of December 21, 2015, a share sales agreement has been signed between NBG, principal shareholder of the Bank, and Qatar National Bank ("QNB") regarding direct sale of 99,81% of the Bank's shares NBG owns at the Bank and indirect sale of the Bank's shares in subsidiaries and existing partners to QNB at a price of EUR 2 billion 750 million. On 7 April 2016, Banking Regulation and Supervision Agency (BRSA) has allowed the transfer of 82, 23% of the Parent Bank's shares owned by NBG, 9,68% of the Parent Bank's shares owned by NBG Finance (Dollar) PLC., 7,90% of the Parent Bank's shares owned by NBGI Holdings B.V. to Qatar National Bank S.A.Q. within the framework of the 18/1st Clause of the Banking Law, and for the direct share of NBG to decrease to 0%. Share transfer will occur after necessary local regulatory permissions have been completed, until then the main shareholder of the Bank is NBG. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

Amounting to TL151.532 gain reflected in the consolidated financial statements of the Parent's Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Parent's Bank owns.

General Grants realized during the Period:

General grants realized as of June 30, 2016 was TL 433.