TURKEY

Corporate Credit Rating (Update) — Banking

aktif bank			Long Term	Short Term
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB-	A-3
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating		n.a	n.a
National	Local Rating		AA (Trk)	A-1+ (Trk)
	Outlook		Positive	Stable
	Issue Rating		AA (Trk)	A-1+ (Trk)
Sponsor Support			2	-
Stand Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
	Local Currency		BBB-	-
	Outlook	FC	Stable	-
		LC	Stable	-

* Assigned by Japan Credit Rating Agency, JCR on October 07, 2016

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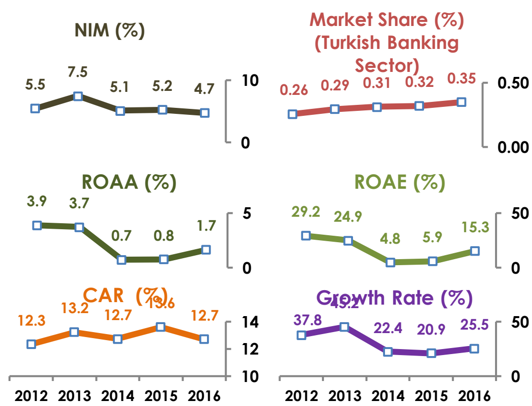


Aktif Yatırım Bankası A.Ş.

Financial Data	1Q2017**	2016*	2015*	2014*	2013*
Total Assets (USD mn)	2,615	2,685	2,599	2,696	2,398
Total Assets (TRY mn)	9,507	9,483	7,557	6,252	5,109
Total Net Loans (TRY mn)	6,152	5,520	4,638	3,983	3,578
Equity (TRY mn)	1,102	975	875	882	833
Net Profit (TRY mn)	47	98	26	34	125
Market Share (%) ***	6.64	6.68	7.09	7.40	7.28
ROAA (%)	n.a.	1.66	0.75	0.73	3.73
ROAE (%)	n.a.	15.27	5.93	4.83	24.92
Equity/Assets (%)	11.59	10.28	11.57	14.11	16.31
Capital Adequacy Ratio (%)	13.22	12.70	13.60	12.73	13.23
Annual Asset Growth Rate (%)	n.a.	25.49	20.87	22.38	45.23

* End of year, **Solo Figures ***On solo basis among the Development and Investment Banking Sector

Overview

Aktif Yatırım Bankası A.Ş. (hereinafter referred to as "Aktif Bank" or the "Bank") was incorporated as an investment bank under the name of Çalık Yatırım Bankası A.Ş. in July 1999 before changing its name to Aktif Yatırım Bankası A.Ş. on August 1, 2008. The Bank carries out operations in the fields of corporate banking, retail banking, leasing, factoring, trade finance and consulting through a network of eight branches along with a workforce of 666 as of FY2016. With the largest number of alternative delivery channels, the Bank offers a wide range of products and services to the customers without the need to open new branches. The Bank has turned into a true retail platform through over 15k customer touch points including PTT Branches, N Kolay Points, Dealers, E-Kent Points, N-Kolay Stores, Branches and Money Post Offices.

According to the IFRS-compliant consolidated financials, the Bank recorded a net profit of TRY 98mn at FYE2016, almost quadruple the previous year's profit of TRY 26mn. 2016 profit was supported by an increase in net interest income and fees & commission income along with flat operating expenses. Despite the remarkable increase in return on assets, the Bank underperformed both the Turkish Banking and the Development & Investment Banking Sectors' averages. On the other hand, the Bank's return on equity ratio outperformed the Development & Investment Banking Sector and underperformed the Turkish Banking Sector as a whole.

Although Aktif Bank is not entitled to receive deposits, it powers its solid growth performance through funding from issued bank bonds, asset backed securities, sukuk certificates, Eurobonds and its own internal resources. Aktif Bank, Turkey's largest privately-owned Investment Bank, climbed to 22nd among 47 banking institutions at FYE2016.

Strengths

- Sustained solid growth performance with assets increasing by almost 141 times in the last decade
- Continuous profit generation throughout the reviewed period and remarkable improvement in profitability metrics at FY2016
- The widest alternative delivery channel options in the sector through thousands of customers touch points, providing the Bank with a true retail platform status
- Diversified funding sources of issued bank bonds, Eurobonds, asset based securities and Sukuk
- Continuity of profit retention policy strengthening the capital base
- Widely dispersed business mix across subsidiaries promising larger contribution in the banks income statement
- Largest Privately-Owned Investment Bank of Turkey and 22nd largest banking institution as of FYE2016
- Below the Turkish Banking Sector average NPLs ratio
- Entrepreneurial-oriented management structure with established track record in the financial services industry

Constraints

- Despite the significant decrease in the proportion of the group company loans over the last two years, it can be considered as persevering high credit risk concentration among the cash and non-cash loans customers, with significant shares extended to group companies
- Sector-wide structural maturity mismatches and short maturity profile of funding
- Adversities to be exerted on debt-servicing through subdued growth accompanied by weakened demand and high unemployment, although partially eased by counter-cyclical fiscal stimulus package
- Reliance on capital and money markets to sustain high growth rates and the possible rise of liquidity risks in case of a sudden deterioration in market conditions
- Below sector average Capitalization Level despite being above the legal boundaries
- Significant portion of extend loans not secured with tangible assets

Publication Date: June 05, 2017 *"Global Knowledge supported by Local Experience"*

1. Rating Rationale

JCR Eurasia Rating has affirmed Aktif Bank's National Local Rating Notes of **'AA (Trk)'** in the long term, which denotes a high investment grade, and **'A-1+ (Trk)'** in the short term. The Bank's Long Term National Local Rating's outlook has been revised to **"Positive"** from **"Stable**" and the outlook on the short term rating has been affirmed as **"Stable"**. The Bank's Long Term Local and Foreign Currency notes have been also affirmed as **"BBB-"** representing the ceiling for the sovereign national ratings of the Republic of Turkey, with **"Stable"** outlooks.

In the assignment of Aktif Bank's ratings, quantitative and qualitative assessments have been taken into consideration such as; (i) notably improved profitability metrics stemming principally from core banking activities, (ii) adequate capitalization level above the required and recommended levels, though remaining at a below-sector-average level over the reviewed period, (iii) lower and improved NPLs ratio, (iv) solid growth performance, (v) benefits of having the widest alternative delivery channel network, (vi) pioneering position with respect to innovative products, (vii) continuity of high credit risk concentration, (viii) short funding profile, (ix) market perception as the largest investment bank of Turkey, (x) wide range of provided services through its subsidiaries from payment systems to insurance brokerage and (xi) compliance level with corporate governance principles, and growth projections.

This assignment is primarily based on Aktif Bank's consolidated independent audit reports prepared in line with the International Financial Reporting Standards (IFRS). Furthermore, the sector comparison is based on the unconsolidated financial statements which are compiled according to Banking Regulation and Supervision Agency (BRSA) regulations and are independently audited.

Fundamental Rating Considerations are;

Notable Improvement in Profitability Metrics

Pursuant to the consolidated IFRS based reports, Aktif Bank recorded a net profit of TRY 98.1mn at FYE2016, almost quadruple the previous year's net profit of TRY 26mn. It is also noted that, in line with cautious management policy, the Bank provided general provisions amounting to TRY 30mn for possible losses due to negative circumstances which may arise from any changes in market conditions. If the aforementioned provision had not been provided, the net profit of the period would have increased by TRY 15mn.

The remarkable increase in net fees & commissions and interest income coupled with restricted growth in OPEX supported the net profit boost in FYE2016.

According to the solo based financials, the Bank gained a net profit of TRY 111.1mn as of FYE2016, an increase of 37.43% YoY (FY2015: 80.9mn).

The Bank's return on assets underperformed the sector averages in the last three consecutive years. Despite remaining above that of the Development and Investment Banking sector due to its higher equity level, the Bank's return on equity ratio has remained below that of the Turkish Banking Sector as a whole since FY2013.

The Largest Privately-Owned Investment Bank of Turkey

The Bank recorded an exceptional growth performance and increased its assets by a factor of nearly 141 over the last decade. At FYE2016, the Bank climbed to 22nd among 47 banking institutions with an asset size of TRY 9,538mn. Additionally, the Bank's asset size based market share was 0.35% among the entire Turkish Banking Sector and 6.68% across the Development & Investment Banking Sector as of FYE2016. The Bank's asset size growth outperformed the sector averages and its cumulative growth was nearly two times that of the Turkish Banking and 1.1 times that of the Development & Investment Banking Sectors over the last five-year period.

Solid Growth Performance

Aktif Bank recorded growths of 25.49%, 19.02%, 11.43% and 277.61% in assets, loans, equity and net profit, respectively, in FY2016 according to the IFRS-based financials.

Diversified but Short Term Funding Profile

As an investment bank, Aktif Bank is not entitled to collect customer deposits and has funded itself through issued debt securities, borrowed funds from domestic & international institutions, current balances of its loan customers, equity and obligations under repurchase agreement.

At FYE2016, issued debt instruments (TRY and FC) accounted for 37.28% (FYE2015:39.24%) of total external resources of the Bank and amounting to nearly TRY 3.17bn. Since the first bank bond issue in 2009, Aktif Bank successfully settled unsecured bond issuances (Aktif Bono) which reached TRY 19bn at FYE2016. The Bank has diversified its issued bond instruments through innovative products such as double currency bond, increasing interest bond and founded bond and enlarged its customer base. Moreover, Aktif Bank, as originator and servicer, Assets Finance Fund- SPV, established by Aktifbank, issued Asset Backed Securities (ABS) of TRY 2.2bn as of FYE2016. The Bank issued debt instruments through asset lease certificates (Sukuk) with a total amount of TRY 50mn in 2015 as an Islamic debt instrument to provide finance to projects with a value of TRY 350mn. To extend maturity of the funding sources, the Bank issued Eurobonds amounting to USD 100mn and Euro 50mn with a maturity of 5 years in 2016.

Despite the Bank's efforts to extend the maturity of provided funds, 53.65% of financial liabilities, which accounted for 90.55% of total liabilities, were placed in the up to one-month bracket. The funding base's very short maturity profile pressured liquidity management through renewal risks along with rising dependence on capital and money markets. In the event of difficulties in accessing the aforementioned markets due to sudden turmoil in market conditions, the Bank may encounter complications due to maturity mismatches of assets and liabilities.

It should also be borne in mind that the Bank's liquidity levels are monitored closely by the treasury and risk management units in line with the BRSA regulations. No violations were observed in 2016 and the Bank attained satisfactory liquidity threshold levels.

Despite Contraction in FY2016 NIM Remained Above the Sector Averages and Denotes Competitive Edge

At FYE2016, the Bank's net interest margin was 4.74%, down from the previous year's level of 5.25%. NIM ratios of the Turkish Banking and Investment and Development Banking sectors were 3.90% and 3.22%, respectively. The ratio of the Bank remained above the sector averages throughout the reviewed period, indicating the Bank's effectiveness and the sustainability of its income streams.

Below Sector Average Capitalization Level Despite Being Above the Legal Boundaries

Aktif Bank's non-consolidated capital adequacy ratio was 12.70% at FYE2016, down from the previous year's level of 13.60%. Though the Bank's capital adequacy ratio remained above the minimum CAR requirements (8%) set by the Basel Accord and the recommended level (12%) by the BRSA, it attained below the sector average levels over the reviewed period. Additionality, the Bank's Tier 1 and CET1 ratios were 12.03% and 11.70% respectively, and compliant with the requirements at FYE2016.

As of 1Q2017, the Bank's unconsolidated capital adequacy ratio increased to 13.22% from FYE2016's 12.70%. Accordingly, the current level of capitalization has the adequate buffer capability against incidental loan losses.

Modest Asset Quality

Despite the deterioration in the Bank's gross non-performing loans portfolio to TRY 103.5mn at FYE2016 from TRY 92.2mn in the previous year, the NPLs ratio exhibited a slight improvement to 1.78% from 1.98% at FYE2015 thanks to the growth in the loans portfolio by 19.02% YoY. As in the previous year, the Bank's NPLs ratio was well below the Turkish Banking Sector average, though it remained above the Development and Investment Banking Sectors.

Based on the unconsolidated financial statements prepared in line with BRSA standards, TRY 140mn (FYE2015:27.9mn) of loans were placed under follow-up. Despite the treatment of these loans as performing loans by the management, in the event of depressed economic conditions, those loans may threaten asset quality through increasing NPLs and decrease return on loans via increasing provision expenses. In the first quarter of the ongoing year, the Bank's NPLs ratio was 1.77% and indicate preservation of its low NPLs.

At FYE2016, the Bank's loan loss coverage ratio was 74.01% and stood slightly below the average of the Turkish Banking Sector, though well above the Deposits & Investment Banking Sector average.

Lower Collateralized Credit Portfolio and Persisting High Credit Risk Concentration

Pursuant to the unconsolidated financial statements prepared in line with BRSA standards, only 20.59% of the total loans were collateralized and received collaterals covered 79.29% of the collateralized loans book. The very low level of the collateralized loans portfolio increases credit risk level; however, a significant portion of the loans were extended to group companies, largely offsetting those effects.

At FYE2016, Aktif Bank allocated 69.70% of its loan book to corporates and the remaining (FYE2015:27.20%) 30.30% was consumer loans. Improvement on behalf of the consumer loans was in line with the Bank strategy.

On the other hand, 41% (FYE2015: 46.32% and FY2014: 50.41%) and 47.98% (FYE2015: 53.78% and FY2014: 45.49%) of the Bank's cash and non-cash loans directly or indirectly were given to group companies, respectively. The decrease in cash loans granted to group companies was assessed as a positive development by JCR Eurasia Rating. Moreover, the Bank's largest 20 cash loan customers composed over 90% of the total corporate cash loan portfolio as of FYE2016.

Worries Persist through Adversities on Debt-servicing and Political Upheavals

While international tensions due to political upheavals and unrest in bordering countries persist, domestic tensions resulting from successive elections and the April constitutional referendum have resulted in the reduction of political risks levels in the domestic market compared to those in the emerging countries.

Following a period of rising political tensions after the failed coup attempt, the economy faced a sharp contraction in the 3rd quarter and remains affected by tourism sector difficulties and rising commodity prices. Despite an ongoing recovery process, adversities are expected on debt-servicing capabilities due to subdued growth accompanied by weakened demand and relatively high unemployment and inflation rates. Counter-cyclical fiscal stimulus package-like facilities within the credit guarantee fund and creation of the wealth fund have been taken to partially ease the effects and may transfer a portion of the NPLs book, which is held by banks, to the State.

Diverse Distribution Network supported by the Incorporation of Digital Banking Applications into the Business Model

In accordance with the non-branch centered growth strategy, the Bank utilizes a large number of distribution channels including PTT branches, N Kolay Points, Dealers, E-kent Points, N-Kolay Stores, Branches and Money Post Offices. In addition, the Bank provides a wide range of products and services through its subsidiaries namely; E-Kent (Smart Cities & Electronic Payment Systems & Stadium Access Control Systems), N Kolay (Payment & Transaction Points), PASSO (Card Programs & Sports & Entertainment–Ticketing platform), PAVO (POS Device Sales & VAS Applications), Shoop (innovative software solutions), UPT (universal payment transfer) and Sigortayeri (Insurance Brokerage).

Passolig reached over 2.5mn members, with an increase of 50% whilst N-Kolay Payment Systems represents Turkey's largest collection channel with a market leading position in Istanbul. On the other hand, UPT has processed over 1mn transactions in FY2016 while E-kent Smart Transportation Solutions undertook 282 million magnetic ticketing transactions.

In the context of digital banking under the N-kolay brand, Aktifbank plans to undertake transactions such as bill payments and money transfers through mobile applications. The Bank plans to provide services normally given through subsidiaries through digital platforms and recently completed a large-scale transformation project related to internet banking and activated the full scale online branch. The Company undertook the IPO of the first digital bond issuance under the title of "N Kolay Bono" in 1Q2017. The New Generation Banking business model helps to position in a wide-ranging perspective and was rewarded with R&D center status by the Ministry of Science, Technology and Industry in 2016 and as such plans to maintain its competitive advantage in this field by bringing more innovative products into the market.

2. Outlook

JCR Eurasia Rating has revised the Bank's Long Term National Rating Outlook to **"Positive"** from **"Stable"** while affirming a **"Stable"** outlook on the Short and Long Term International Ratings perspectives considering the sound outcomes of 1Q2017, adequate capitalization level above the legal and targeted boundaries, notable enhancement in profitability indicators, solid growth performance, market dominance as the largest investment bank of Turkey, risk appetite and management, asset composition, broader net interest margin and business mix, growth forecasts, the expectations of no further deterioration in the operating environment and continuity of political and economic stability.

Fundamental concerns which would impede the ratings and outlooks are: (i) difficulties in accessing funding resources, (ii) deterioration in asset quality through an increase in NPLs resulting from weakened debt-servicing capabilities of loan customers, (iii) weakening profitability ratios, (iv) severe contraction in economic activities, (v) changes in the sovereign rating level of Turkey, (vi) increasing tension in international politics, (vii) disruption of political stability and (viii) deterioration in capital adequacy and liquidity levels.

Conversely, (i) noteworthy progress in profitability indicators, (ii) strengthening capitalization level through sizable cash equity injection, (iii) upgrades in Turkey's country ceiling ratings, (iv) improvement in the domestic and global financial climate, (v) progress in market position, (vi) diversifying funding mix and extending maturity profile, (vii) progress in asset quality through decreasing credit risk concentration coupled with continuity of successful collection from non-performing loan book, (viii) enhancement of the compliance level with corporate governance principals and (ix) the ability to manage additional risks combined with the growth of the Bank are driving factors that can contribute to any future positive changes in ratings and outlook status.

3. Sponsor Support and Stand-Alone Assessment

The Sponsor Support notes and their risk estimations reflect the financial and non-financial state and expected support of the ultimate shareholder, Çalık Holding A.Ş. The Holding, one of Turkey's most prominent conglomerates, presently operating in three continents, principally including countries in the Middle East, North Africa, the Commonwealth of Independent states (CIS) and Europe. It has stakes in various industries with a primary interest in the energy, construction, textiles, finance, telecom and mining sectors. As of December 31, 2016, the Group's consolidated financial figures in asset size, equity and net profit were TRY 29.9bn, 3.5bn and 665mn, respectively. The Group provides job opportunities for over 21k employees. In the light of the Group's financial and operational positions, it is considered that Çalık Holding has the enthusiasm to supply liquidity and equity within its financial capability when financial needs arise in the short or long term and have the sufficient experience to provide operational support to the Bank when required. Based on the above factors, JCR Eurasia Rating has assigned the Bank's Sponsor Support Note as "**2**", denoting an adequate external support.

The Stand Alone Note of the Bank has been affirmed as **"AB"** considering its past track record, business mix and market perception, asset size and quality, equity base and capitalization level, profit generating capacity, risk management practices associated with its growth performance along with fund diversification capacity and access to external funds. This Stand Alone note provides that the Bank is expected to be able to manage its balance sheet risks successfully even if the shareholders or public authorities do not provide any assistance.

4. Company Profile

a. History & Activities

Aktif Yatırım Bankası A.Ş. was incorporated under the name Çalık Yatırım Bankası A.Ş. in July 1999 as an investment bank. On August 1, 2008, the Bank publicized its new name of Aktif Yatırım Bankası A.Ş. While corporate, retail, investment and private banking constitute the principal axis of Aktif Bank's operations, the Bank also offers financial leasing, factoring, trade finance and consulting services along with insurance, service and payment transactions through its subsidiaries.

b. Organization & Employees

Aktif Bank's headquarter is located in Zincirlikuyu/Istanbul, a financial and business district. The Bank has eight branches and, in line with its "New Generation Banking" business model and non-branch based growth strategy, the number of branches has not been changed in the last four years. Aktif Bank's organizational structure is formed principally under eleven Groups: Retail Banking Credits, Corporate Banking, Retail Banking Sales and Subsidiaries Coordination, Legislation Development and Management, Finance, Treasury, Information Technologies and Operation, Internal Systems, Financial Institutions, Human resources and Legal Groups. In addition to services provided through the branch network, the Bank offers alternative delivery channels through over 15k of customer touch points including post offices (PTT), N'Kolay Points, Dealers, E-Kent Points, N-Kolay Stores and Money Post Offices as well as call centers, ATMs and mobile and internet banking facilities.

c. Shareholders, Subsidiaries & Affiliates

The table below shows the shareholder structure of Aktif Bank. Çalık Holding A.Ş., the qualified shareholder of Aktif Bank, holds 99.42% of stakes. The Bank's paid in capital increased to TRY 1,033,585mn in the first quarter of FY2017 from TRY 933,585mn through internal means.

Shareholders	1Q2017	2016
	Share %	Share %
Çalık Holding A.Ş.	99.42	99.42
GAP Güneydoğu Tekstil Sanayi ve Tic.A.Ş.	0.30	0.30
Ahmet ÇALIK	0.14	0.14
Başak Enerji Elektrik Üretim San.ve Tic.A.Ş.	0.07	0.07
Irmak Enerji Elektrik Üretim Madencilik San.ve Tic.A.Ş.	0.07	0.07
Total	100.00	100.00
Paid Capital-TRY (000)	1,033,585	933,585

The consolidated subsidiaries & affiliates of Aktif Bank are listed below according to their sector diversification and geographical location. As, we, JCR Eurasia Rating, have not presently analyzed the independent risk level of those companies, no opinion regarding their creditworthiness has been formed.

	Country	Sector	Direct/ Indirect Interest Rates %	
			2015	2016
Consolidated Subsidiaries				
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	Turkey	Insurance Brokerage	100.00	100.00
Epost Elektronik Perakende Otomasyon Satış Tic. A.Ş.	Turkey	Payment System	99.27	99.80
E-Kent Teknoloji ve Ödeme Sistemleri San. ve Tic. A.Ş.	Turkey	Payment System	99.27	99.80
N Kolay Mağazacılık A.Ş.	Turkey	Payment System	99.27	99.99
UPT Para Transfer ve Ödeme Hizmetleri A.Ş.	Turkey	Payment System	100.00	100.00
Emlak Girişim Danışmanlığı A.Ş.	Turkey	Real Estate	100.00	100.00
Pavo Teknik Servis Elektrik Elektronik Sanayi ve Tic. A.Ş.	Turkey	Service	79.42	79.84
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri A.Ş.	Turkey	Service	99.27	99.80
Mükafat Porföy Yönetimi A.Ş.	Turkey	Service	-	80.00
Echo Bilgi Yönetim Sistemeleri A.Ş.	Turkey	Service	-	49.40
Equity Accounted Investees				
Kazakhstan Ijara Company Jsc	Kazakhstan	-	14.31	14.31
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Turkey	-	5.00	5.00
Eurasian Leasing Company	Tatarstan	-	25.00	25.00
Euro Mediterranean Investment Company	TRNC	-	21.28	21.23
Haliç Finansal Kiralama A.Ş.			-	32.00

d. Corporate Governance

Aktif Bank carries out its operations under the Banking Law along with the supervision and regulations of the BRSA. The Bank has committed to complying with corporate governance principles and the Communiqué on Corporate Governance Principles of Banks' published by the BRSA.

The Bank's corporate webpage is the principal hub for information and documentation. Periodic audited financial reports, annual activity reports, rating reports, vision, mission, anti-bribery corruption policy, shareholder structure, the Minutes of the General Meeting, corporate governance compliance report, ethical rules, organizational structure and background of the Board of Directors and senior managers are disclosed to the public via its web site. In addition, the required information is disseminated through the Public Disclosure Platform (PDP) and the Information Society Services. On the other hand, dividend distribution, disclosure, stakeholders' and social responsibility polies have not yet been disclosed to the public.

Although there are no privileges on the shares, the transfer of shares is subject to the approval of the Board of Directors.

The Bank's Board is currently composed of six members none of whom are independent, and qualifications of the members meet the terms expressed in the principles. As can be seen in the resumes found on the Bank's website, the members possess the necessary qualifications in terms of educational, professional and managerial experience. The Bank has set up Audit, Corporate Governance, Credit and Remuneration committees under the Board pursuant with the BRSA Communiqué.

Board Members	
AHMET **ÇALIK**	Chairman
MEHMET **USTA**	Vice Chairman
MEHMET ERTUĞRUL **GÜRLER**	Board Member
VEYSEL **ŞAHİN**	Board Member
AHMET CELALETTİN **YILDIRIM**	Board Member
DR. SERDAR **SÜMER**	CEO/Board Member

Consequently, considering the Bank's status as a non-publicly traded bank as well as the best practices of corporate governance and internal regulations, the general compliance level of the Bank is quite reasonable.

e. The Bank Strategies

In last decade, fast developments in technology drive banking system to further digitalize their offerings to meet consumer needs as well as to increase efficiency. As competition intensifies, differentiation and a wide range of services through digital channels gain more importance.

In this sense, Aktif Bank has experienced a metamorphosis during last decade. The Bank has adopted Its "New Generation Banking" business model to present quick and easily-accessible solutions to its customers through alternative distribution channels, rather than opening up new branches. The Bank has invested in various segment of the retail sector where the low levels of competition provide advantages to the bank and became a real platform integrated to thousands of customer touch points in which financial and non-financial products are being provided.

5. Sector Analysis

The Turkish Banking Sector, regulated by the BRSA-Banking Regulation and Supervision Agency, consists of deposit banks, development and investment banks and participation banks (operating on the basis of dividends in the framework of Islamic rules). The asset size of the banking sector, which has the largest share in the Turkish financial system, was USD 799 billion (TRY 2,730 billion) by the end of 2016.

SUMMARY OF KEY INDICATORS OF THE TURKISH BANKING SECTOR				
(TRY mn)	2016	2015	2014	2013
Asset size - TRY	2,730,942	2,357,386	1,994,263	1,732,382
Asset size - USD	799,129	807,850	857,047	813,172
Equity – TRY	300,171	262,213	231,941	193,704
Profit – TRY	37,532	26,052	24,610	24,664
ROAE %	1.86	1.52	1.69	2.01
ROAE %	16.81	13.38	14.79	16.59
NPL Ratio %	3.23	3.09	2.85	2.75
CAR %	15.57	15.56	16.30	15.30
Equity / Total assets %	10.99	11.12	11.63	11.18
Loans / Deposits	1.16	1.18	1.17	1.10

Turkey's asset / GDP ratio is close to the level of developing countries, but lower than the average of developed countries. Therefore, the growth potential of the Turkish Banking Sector is still high compared to the average.

Although the Turkish Banking Sector achieved an increase in profitability by 44.06% in absolute terms in 2016 compared to the previous year, the profitability performance of the banking sector was 23.01% in dollar terms due to the extraordinary depreciation of the TRY.

Macro prudential measures taken to curb the current account deficit, especially using credit cards and vehicle loans, have resulted with changes at the business model and competitiveness level of the banking sector. However, the system was loosened in 2016 with new regulations in this area.

The financial strength of the Turkish Banking Sector to support the economic activity and growth remains largely preserved in 2016 although the exceptional value losses of the TRY caused this strength to be weakened and the potential of the sector's ability to reach out new resources is rasped. The borrowing costs of the banks from abroad are in an increasing trend due to the Fed's contractionary monetary policy. On the other hand, the increase in the monetary expansion of the European and Far East markets is limiting the side effects of Fed's attitude. The loose monetary policies of the European Central Bank will continue to support the Turkish Banking Sector in terms of funding costs in 2017.

Turkey is not exposed to the risk of refinancing despite pressures due to the poor record of the tourism sector, the weak Turkish Lira and the low energy prices. In addition, the Turkish Banking Sector has been able to maintain its long-term expansion and increase the credit volume thanks to its high capital adequacy level because the Turkish Banking Sector has *double-buffer* in terms of Capital Adequacy Ratio. Therefore, according to JCR Eurasia Rating, the outlook of the Turkish Banking Sector is stable.

Although the average interest margin of the Turkish Banking Sector was 3.91% during 2016 and exhibited a declining trendline within the previous ten-year period, it remains higher than that of developed countries. The Turkish Banking Sector maintains its high net profit margins on local currency and efforts continue to increase non-interest income.

Despite its low asset size, the sector maintained its positive stance in 2016 in terms of high profitability, high deposit share and high capital ratio. However, the continuation of the growth rate in 2017 depends on the stability of the local currency.

The number of banks operating in the Turkish Banking Sector in 2014 rose from 51 to 52 in 2015 and to 53 in 2016. Internet, ATM and POS investments continue to increase to enhance the accessibility of banking services. The concentration of assets, loans and deposits in the sector is quite high. In all of three areas, the share of the top five banks is approximately 60%.

NUMBER OF BANKS					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
DEPOSIT BANKS (*)	3	9	1	21	**34**
DEVELOPMENT & INVESTMENT	4	4		5	**13**
PARTICIPATION	2		1	3	**6**
TOPLAM	**9**	**13**	**2**	**29**	**53**
NUMBER OF BRANCHES					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
DEPOSIT BANKS (*)	3,699	4,225	1	3,018	**10,943**
DEVELOPMENT & INVESTMENT	24	13		5	**42**
PARTICIPATION	77			886	**963**
TOPLAM	**3,800**	**4,238**	**1**	**3,909**	**11,948**
NUMBER OF STAFF					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
DEPOSIT BANKS (*)	57,509	74,097	221	60,583	**192,410**
DEVELOPMENT & INVESTMENT	3,994	1,100		215	**5,309**
PARTICIPATION	1,116			13,402	**14,518**
TOPLAM	**62,619**	**75,197**	**221**	**74,200**	**212,237**
(*) As of September 30, 2016					

The legal framework of the Turkish Banking Sector, which overlaps with the main lines of the EU legislation, except for abroad branches and deposit guarantees, has been shaped in accordance with the criteria of integration with global economies, the Basel Accords and the capital requirement directives (CRD). Within this context, the European Commission affirmed that both the control framework and the regulatory framework of the Turkish Banking Sector were largely compatible and equivalent to the EU regime as of December 2016. This high level of equivalence was considered to have originated from the advanced implementation of Basel III in the Turkish legislation. In terms of risk management, the Turkish Banking Sector manages its pricing and balance sheet in accordance with international norms.

The banking sector is affected most by national and international regulations, constantly changing customer demands, developing technology and socio-political structural changes. In this aspect, it is expected that banks' agendas will be increasingly engaged in key issues such as capital, liquidity, profitability, cost management and digitalization of internal processes. In 2017, in particular digitalization will gain importance in cost management and competition.

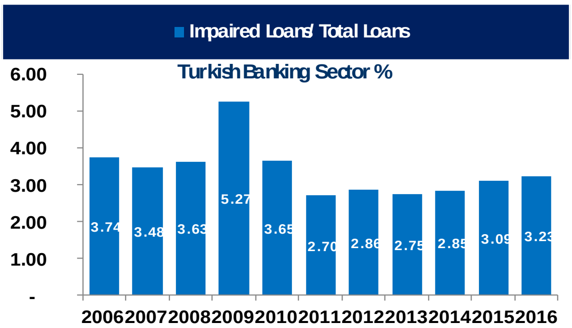
The Turkish Banking Sector has a highly dynamic structure in product and service formations, which is structured with a flexibility that is in line with the ever-changing expectations of credit and deposit customers and investors within the scope of innovative and sustainable business models.

The Turkish Banking Sector, which is not yet at the desired level of scale and cost efficiency, is expected to intensify its structuring and growth strategies in this particular area.

In the Turkish Banking Sector, while innovative approaches to branching and alternative channels are being developed, the importance of multi-branching still remains. The elasticity coefficients of the Turkish Banking Sector are well above the global optimum levels in terms of lending capacity, interest volatility and regulatory pressures. Legal arrangements increase the resilience of banks to crises and create downward pressure as well on productivity and profitability. However, financial innovations are expected to significantly eliminate the negative effects of the regulatory constraints.

Banks mainly provide deposit-based financing, while the use of alternative sources is also increasing. Due to the increasing funding opportunities in line with the expansion of the quantities in the developed countries, the liabilities of the banks from external sources have increased in recent years. The external debt restructuring rate of the banking sector is above 100 percent and the long-term funding from abroad contributes to the prolongation of the passive market. Banks' securities issuances continue to grow in an accelerating rate.

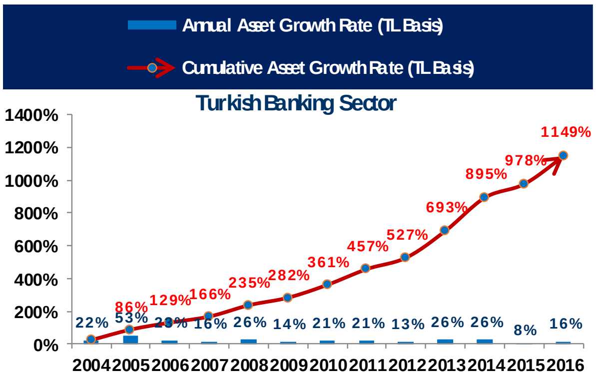
The ratio of non-performing loans to equity was 12.87% in 2012, 15.29% in 2013, 15.69% in 2014, 18.13% in 2015 and 19.35% in 2016. In 2016, the ratio of non-performing loans highly increased by 22.15% in nominal terms and the share of the problematic loans compared to the previous year in total credits was mathematically higher than the previous year regarding the nominal increase rate in total loans (16.90%). As of 2016, the conversion rate to non-performing loan was 3.23%. It should also be noted that banking sector sells certain impaired receivables in bundles to "asset management companies", thus reducing the impaired receivable amount in the balance sheet and reducing the NPL ratio.



In 2016, as in 2015, the banking sector has fundamentally funded its asset growth from loans and required reserves through an increase in deposits, equity, issued securities and borrowings.

	2010	2011	2012	2013	2014	2015	2016
PARTICIPATION BANKS	4.30	4.61	5.13	5.55	5.23	5.10	4.87
DEVELOPMENT AND INVESTMENT BANKS	3.07	3.42	3.85	4.05	4.24	4.52	5.23
DEPOSIT BANKS	92.63	91.97	91.02	90.41	90.53	90.37	89.91
SECTOR	100	100	100	100	100	100	100

As at the end of 2016, 89.91% of the banking sector is comprised of deposit banks, whereas 5.23% and 4.87% belongs to participation banks and development and investment banks, respectively. Cumulatively in the previous 13 years, the Turkish Banking Sector has grown almost every year and this growth has reached a very high rate of 1149.45% between 2004-2016.



On a US dollar basis, the Turkish Banking Sector grew by 388.53% over the years 2003-2016. For the last two years, the Turkish Banking Sector shrank in dollar terms due to the depreciation of TL.

In 2016, development and investment banks recorded the largest growth rate at 33.88%. The annual growth rate of participation banks was 10.50% and that of deposit banks was 15.24%, year on year. Contrary to previous years, the low growth of participation banking stemmed from the transfer of Bank Asya to the SDIF in 2014 and problems in the public sector.

In terms of contributing to growth in resources, foreign currency deposits ranked first, borrowing from banks second and TRY deposits third. The share of deposits in total resources exhibited a downward trend (from 61.9% in 2005 to 53.23% at FYE2016) while the basic funding balance within banking resources is still deposits.

In terms of assets, the weight of the securities in the Turkish Banking Sector decreased gradually to 12.75%. Credits increased from 38.93% at FYE2005 to 63.51% at FYE2016. The highest increase among the assets due to the CBRT's reserve adjustments within macroeconomic policies has been the item of required reserved items. Provisions constituting 3.68% of assets at FYE2005 accounted for 6.74% of assets at FYE2016.

While the Turkish Banking Sector has generally started to show a downward trend in its profitability indicators, the current relatively high levels continued in 2016 as well. The funding structure of the sector is dominated by deposits, necessitating more branching and operating expenses, which in turn causes downward reflection on the sector's profitability. On the other hand, the banks fully reflect the expected loss rates in the lending process to interest margins within prudentially principles. The high level of non-interest expenses indicates that banks might still need to increase their operational efficiency.

The sector achieved an asset return of 1.86% and an equity return of 16.81% during FY2016. One of the reasons for the high profitability in 2016 is the one-off income items obtained in 2016.

Profitability Indicators of the Turkish Banking Sector %	2016	2015	2014	2013	2012	2011	2010	2009
Interest Margin %	3.91	3.85	3.80	4.02	4.42	3.86	4.61	5.87
ROAA (%)	1.86	1.52	1.69	2.01	2.33	2.27	2.95	3.21
ROAE (%)	16.81	13.38	14.79	16.59	18.49	18.10	22.14	25.50
Net Profit Margin %	27.97	22.59	25.75	25.91	30.42	30.65	36.14	33.20
Provision expenses / T. revenues%	22.83	21.38	21.74	19.81	20.45	15.14	14.08	22.60

Funding costs have increased throughout the country, but the high level of interest margins generated by the banking sector has not yet been negatively affected. Moreover, the net interest margin, which was 3.18% in 2015, rose to 3.27% in 2016. However, the provision for expenses continues to bear negative pressures on the balance sheet. Net interest income remains as the main revenue component constituting 68.08% of the total income during 2016 while the sector has not been able to diversify its revenues efficiently. Within the components of the net interest margin, the marginal impact of provisioning costs appears to be greater than in the EU countries. The ratio of OPEX to total income is lower than in EU countries. The ratio of "Total Foreign Currency Position / Assets" to "Total Foreign Currency Position / Equity", which are the main indicators of the net foreign exchange position risk of the sector, were 0.16% and 1.45%, respectively, at the end of 2016. Therefore, the effect of the foreign currency position risk on the income generation of the sector is narrow. There is no liquidity shortage in almost any maturity on balance sheet transactions. The highest liquidity surplus, due to the increase in the allowance rates, occurred in the maturity bracket up to 7 days and at the same time at the annual level.

As of 2016, the banking sector finances 52.23% of its assets with deposits and / or participation funds. Although the long-term deposits are encouraged by creating tax differences starting from 2013, the average deposit of 74 days in 2012 is 72.77 days in 2014, 84.80 in 2015 and 72.27 days in 2016.

64.14% of the assets of the Turkish Banking Sector in 2016 are composed of Loans and Leasing Receivables and 13.39% government securities. While the share of the securities within the balance sheet decreases, that of loans increases.

Credit, Market and Operational Risks of the Turkish Banking System are measured in parallel with internal methods and BRSA regulations. Independent external rating agencies have not yet been involved in the measurement of these risks, particularly credit risks. According to the BRSA data, 91.05% of the total risks of the banking system is comprised of credit risk while 7.04% correspond to operational risks and 1.91% to market risk. The total amount of risk is TRY 2,029,181 million.

The Turkish Banking Sector generally covers the on-balance sheet foreign currency short position with off-balance sheet foreign currency long position. The net foreign currency net general position of the sector has been at low levels for many years.

In the sector, as a whole, the share of equity in the balance sheet declined from 13.17% in 2012 to 10.99% in 2016. Participation banks have the lowest equity / total resources ratio in the sector.

On the other hand, despite the fact that development and investment banking has lost its attractiveness in developed countries due to the worsening equity balance of assets, Turkey still maintains its high capital and high capital ratios and continues its attractiveness.

The capital adequacy ratio of the sector is calculated according to Basel II rules. For many years, CAR maintained its high level and stood at 15.57% as of 2015. Country ratings assigned by Fitch, Moody's, S&P, JCR, DBRS and IIRA rating institutions are used in determining the credit quality stages of foreign currency receivables due from central governments and central banks. Rating scales of Fitch, Moody's, S&P, JCR, DBRS and IIRA are used to determine the level of credit quality of receivables from the banks and intermediary institutions, regional administrations or local administrations, administrative units and non-commercial enterprises, multilateral development banks, if the institutions are resident abroad.

JCR Eurasia Rating has been authorized to determine the risk weights of the collective receivable classes from banks, borrowing instruments issued by banks, financial institutions other than banks, borrowing instruments issued by financial institutions other than banks, corporate companies not included in Small and Medium Size Enterprises. However, since the notes issued by JCR Eurasia Rating have not yet been matched to appropriate risk weights, the CAR is calculated at 100% risk weight assuming that the bank receivables in this scope are not rated.

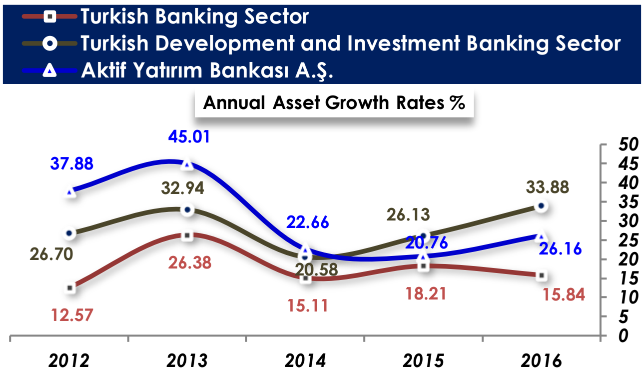
Despite high profitability and capital adequacy ratios in the Turkish Banking Sector in 2016, and the high level of problematic receivables transferred to restructuring and asset management companies, the increase in the conversion rate of the assets to impaired receivable class could not be prevented. The reason for this trend is the deterioration of the borrowers' balance sheets in the wake of significant foreign currency rate increases.

6. Financial Analysis

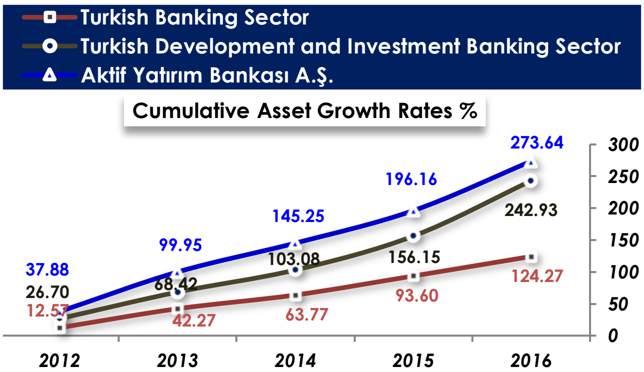
a. Financial Indicators and Performance

i. Indices Relating to Size

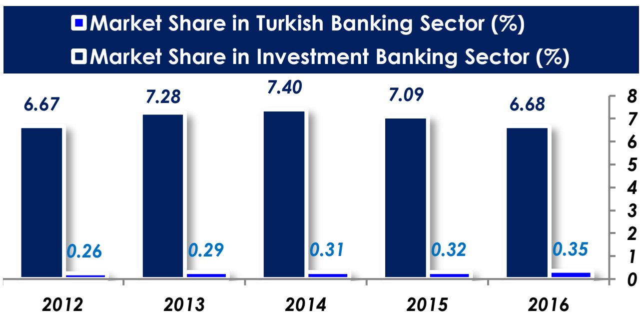
As of FYE2016, Aktif Bank recorded an assets growth rate of 26.16%, up from the previous year's figure of 20.76%. The graphs below display the growth of the Bank's asset base in comparison to those of the sectors. While the overall asset base growth performance of the Bank stayed well above the Turkish Banking Sectors' averages, it remained below the average growth performance of the Development and Investment Banking Sector in the last two consecutive years.



The Bank's last five year's cumulative asset base growth performance remained above the sector averages and more than doubled the average cumulative growths of the Turkish Banking Sector.



Aktif Bank's asset size based market share in the Turkish Banking Sector was 0.35% at FYE2016 and exhibited a continuous growth, while its market shares in the Development & Investment Banks contracted to 6.68% at FYE2016 and fell to the level of FYE2012. Aktif Bank climbed to 22nd among banks in Turkey according to asset size at FYE2016.

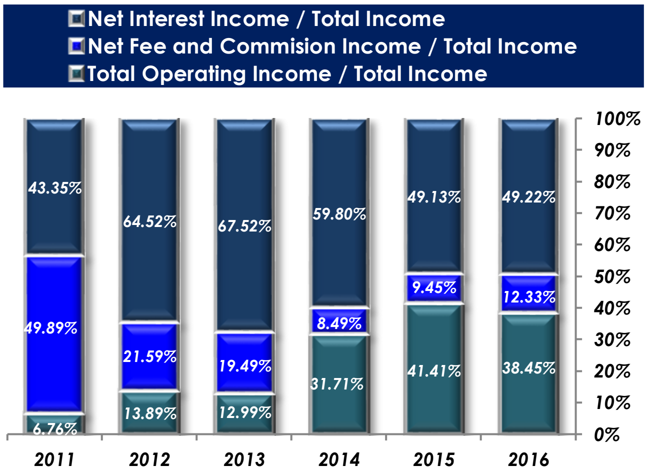


ii. Indices Relating to Profitability

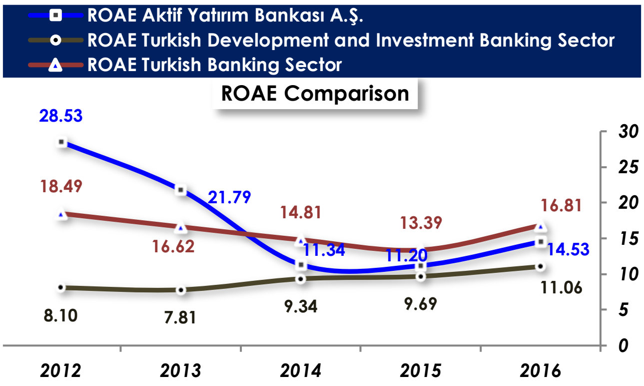
Based on the unconsolidated financial statements prepared in line with BRSA standards, Aktif Bank recorded a net profit of TRY 111.1mn at FYE2016 which increased by 37.43% YoY basis. In the same period, the Investment Banks and the Turkish Banking sector's net profit figure growths were 24.27% and 44.01%, respectively. Considering the above figures, Aktif Bank underperformed the Turkish Banking Sector as a whole and outperformed the Development & Investment Banking sector as of FYE2016.

Regarding the IFRS-compliant consolidated financials, the Bank reported a TRY 141.2mn pre-tax profit at FYE2016, almost three times the previous year's profit of TRY 52.1mn. The remarkable growth in profit was supported by the increase in net interest income and fees & commission income along with operating expenses which stayed virtually flat compared to the previous year.

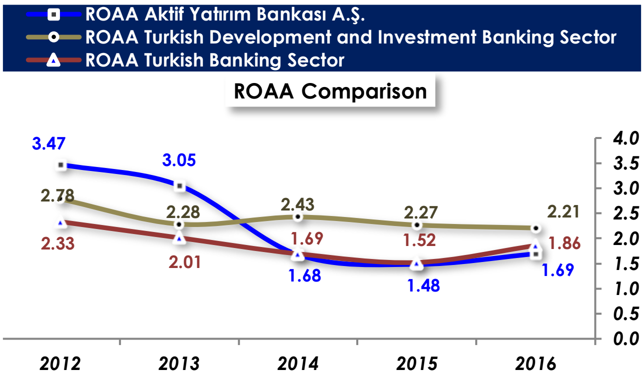
The Bank's income sources did not display major alterations in FY2016 and, as in the previous year, net interest revenues accounted for the largest portion of total income with a rate of 49.22%. The Bank generated 61.55% of its total income through interest and net fee & commission incomes, which are sustainable income streams.



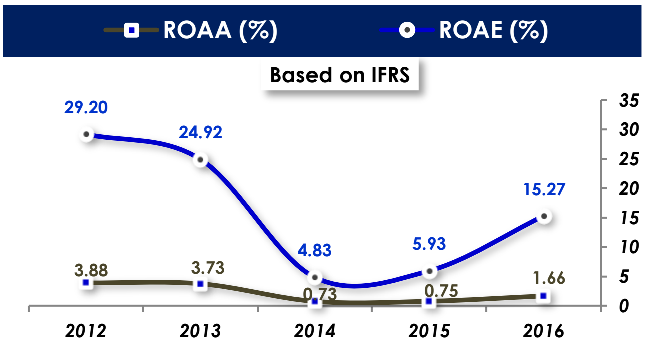
Return on equity ratios regarding both the sectors and the Bank reversed as of FYE2016. Whilst the Bank outperformed the Development & Investment Banking Sector, it underperformed the Turkish Banking Sector in the last three consecutive years.



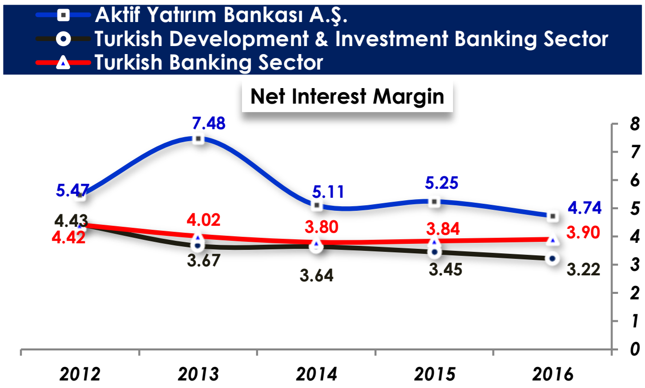
Considering the return on assets ratio, the Bank underperformed the Turkish Banking Sector and the Development & Investment Banking Sector in the last three-year period, despite exhibiting improvement at FYE2016.



Based on the consolidated financial statements prepared in line with IFRS, the Bank's return on assets and equity ratios exhibited a remarkable progress in FY2016.



At FYE2016, despite the increase in net interest income with a rate of 15.70% YoY in absolute values, the net interest margin (NIM) ratio of the Bank demonstrated a decrease to 4.74% from 5.25% FYE2015. However, the NIM ratio remained above both the Turkish Banking and the Development & Investment Banking sectors average levels in FY2016 and contributed to the returns in interest base incomes.

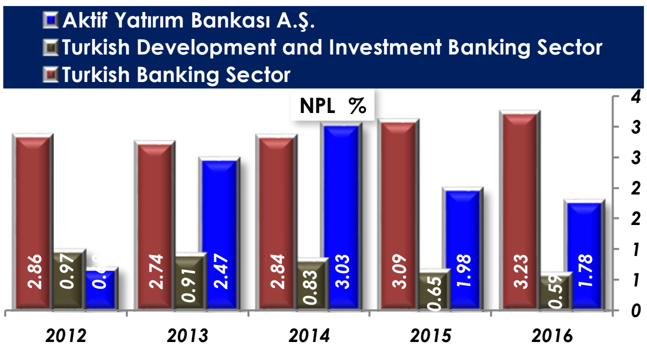


In 1Q2017, the Bank recorded a net profit of TRY 47.23mn, (1Q2016: TRY 23.31mn) and doubled the previous year's net profit, based on solo figures. While the substantial increase in net interest income and net fee & commission income supported the net profit increase in 1Q2017, the notable increase in provision expenses restricted further increases in net profit. As of March 31, 2017, the Bank provided general provisions amounting to TRY 90mn for possible losses due to negative circumstances which may arise from any changes in market conditions. If the aforementioned provision had not been provided, the net profit of the period would have increased by TRY 60mn.

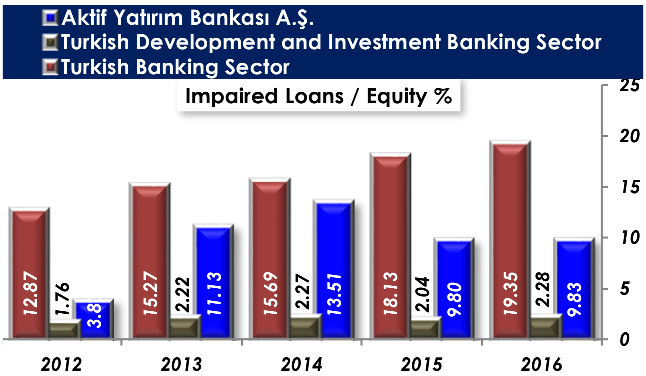
In the same term, the Turkish Banking and Development & Investment Banking Sectors' net profit figures demonstrated growths of 65.02% and 25.33%, respectively.

b. Asset Quality

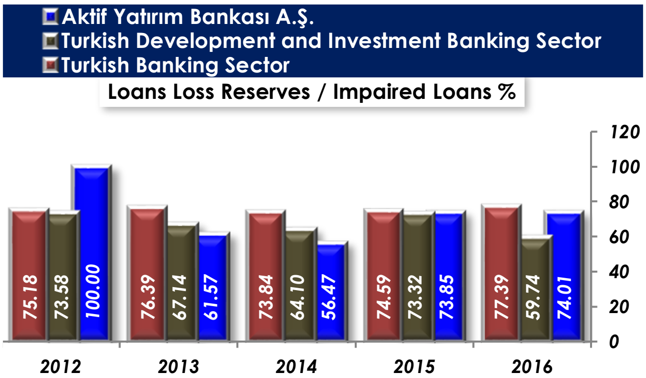
Despite the deterioration in the Bank's gross non-performing loans portfolio to TRY 103.5mn at FYE2016 from TRY 92.2mn, NPLs ratio exhibited a slight improvement to 1.78% at FYE2016 from 1.98% at FYE2015 thanks to the effects of the growth in the loans portfolio by 19.02% YoY. As in the previous year, the Bank's NPLs ratio was below the Turkish Banking Sector average, though remained above the averages of the Development and Investment Banking Sectors.



The non-performing loans portfolio of Aktif Bank as a proportion of its equity was 9.83% at FYE2016 (FYE2015:9.80%) and remained lower than that of the Turkish Banking Sector throughout the reviewed period, while being above the Development & Investment Banking Sector average.

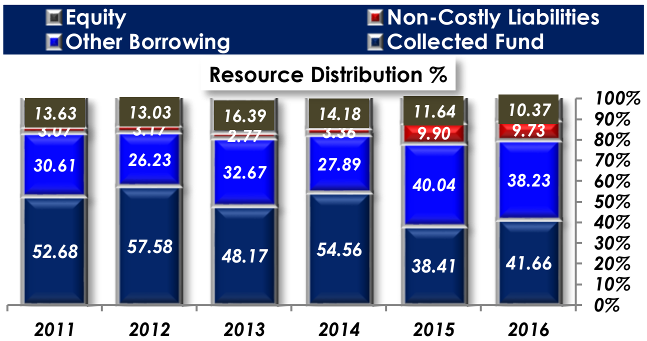


At FYE2016, the Bank's loan loss coverage ratio was 74.01% and almost flat compared to the previous year's figure of 73.85%. While the coverage ratio was slightly below the average of the Turkish Banking Sector, it remained well above the Deposits & Investment Banking Sector average.



c. Funding and Adequacy of Capital

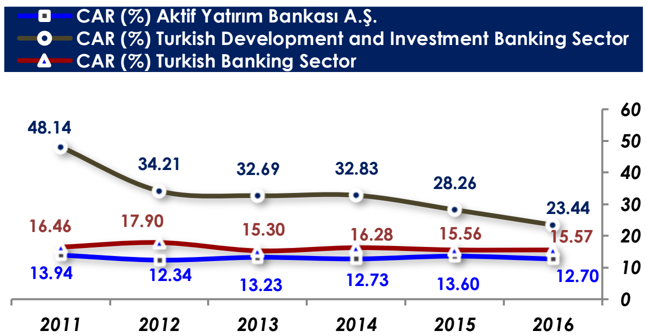
Aktif Bank, as an investment bank, is not entitled to collect customer deposits. The Bank encounters its funding needs through issued debt securities, borrowed funds from domestic & international institutions, current balances of its loan customers, equity and obligations under repurchase agreement. As seen in the below chart, the Bank's collected funds, which includes issued debt securities and current balances of loan customers, accounted for 41.66% of the total funding resources. Other borrowing consisting of bank loans and obligations under repurchase agreement formed 38.23% of total sources.



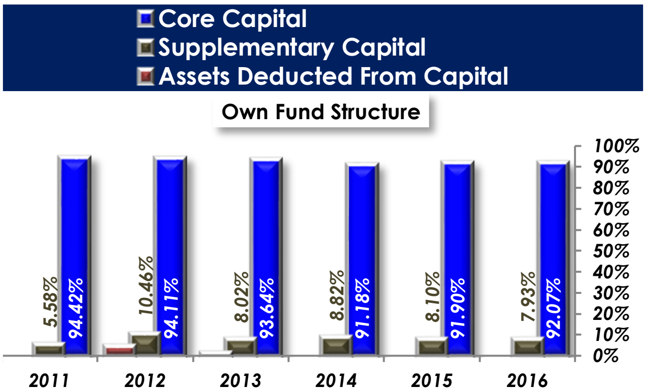
53.65% of the financial liabilities which accounted for 90.55% of total liabilities were placed in the up to one-month bracket, resulting in the a significantly short term funding profile and placing pressure on liquidity management through renewal risks along with an increase in dependence on capital and money markets. Access to money and capital markets may come under pressure if the operating environment suddenly worsens.

As of FYE2016, Aktif Bank's non-consolidated Capital Adequacy Ratio (CAR) was calculated as 2.70% and decreased from 13.60% at FYE2015. However, the Bank's CAR remained above the minimum requirements set by the Basel Accord (8%) and the BRSA's recommended level (12%). Throughout the reviewed period, the Bank's CAR ratios stayed below the averages of the Turkish Banking Sector and the Development & Investment Banking Sectors.

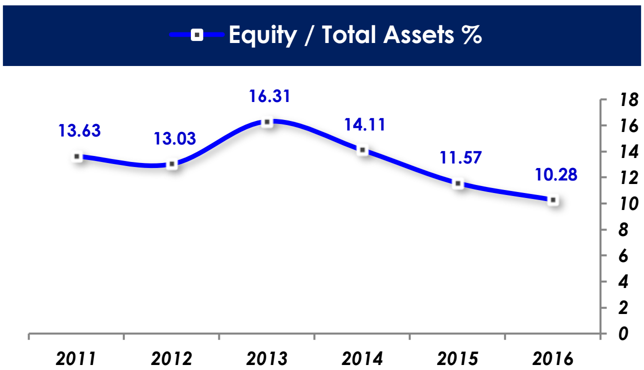
The Bank has also remained compliant with the minimum requirements of Common Equity Tier 1 Capital Ratio (4.5%) and Total Tier 1 Capital Ratio (6%) set by the BRSA, with figures of 12.03% and 11.70%, respectively. The Common Equity Tier 1 Ratio of the Turkish Banking and the Development & Investment Banking Sectors were 13.22% and 23.08%, respectively, and remained well above the Bank's ratio. Additionally, the Bank-specific total CET1 Capital Ratio was 5.150% at FYE2016 (capital conservation buffer was 0.625% and counter cyclical buffer was 0.025%).



The share of core capital (Total Tier 1 Capital), principally consisting of paid-up capital and retained earnings, accounted for 92.07% of the Bank's total own funding structure in 2016. The provisions amounting to TRY 84.5mn was classified as second-tier capital under the regulatory capital and Tier II Capital accounted for 1.01% of the Regulatory Capital Adequacy Ratio of 12.70%. Above ratios specify the Bank's lower reliance on Tier II capital, which is not considered to be loss absorbing.



The declining trend in equity to assets ratio following FY2013 persisted throughout FY2016 and the ratio materialized as 10.28% at FYE2016 and stayed below the sector averages. The ratio of the Turkish Banking and Development & Investment Banking Sectors' were 10.99% and 18.41%, respectively, and exhibited a decrease compared to the previous year's figures.



7. Risk Profile & Management

a. Risk Management Organization & its Function – General Information

Aktif Bank is principally exposed to Credit, Market, Liquidity and Operational risks stemming from the nature of its operations and utilization of financial instruments. Risks are executed under the risk management framework and implementation communiques. The Bank's risk management policies and strategies are reviewed according to arising needs. The Board of Directors of the Bank has the overall responsibility of establishing and supervising an effective risk management frame and principals. The Audit Committee and Risk Management Unit are responsible for developing and monitoring the Bank's risk management policies. The Audit Committee, as a coordinator of Internal Systems, jointly administers the operations of the departments within the Bank's Internal Systems and monitors its efficiency and adequacy.

Credit, Audit, Corporate Governance and Remuneration Committees have been formed under the **BoD** and **the Bank** has also set up **Asset & Liability Committee** with the participation of senior executives under the presidency of the CEO. Furthermore, Internal Control, Internal Audit, Fraud Prevention, Compliance and Risk Management Departments have been formed under the Internal Systems in line with the BRSA regulations to establish a thorough and comprehensive risk management system.

b. Credit Risk

Aktif Bank has written polices, process, responsibility and limits for effective credit risk management framework. The Bank's credit risk management policy is initially set on three pillars; customer assessment, credit allocation and credit pricing. In this sense, through the guides of comprehensive risk management framework, the Bank manages its credit risk by the allocation of loan limits for customers and customer groups as well as the definition of limits for sectors with considerations of maximizing risk-adjusted returns. The Bank continuously monitors customer credit assessments, takes necessary precautions and reviews allocated limits when necessary. In accordance with the lending policies, collaterals such as cash, bank guarantees, mortgages, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness. Pursuant to the unconsolidated financial statements prepared in line with BRSA standards, only 20.59% of the total cash loans were collateralized and received collaterals cover 79.29% of the collateralized loans book.

The Bank utilizes an in-house developed internal risk rating model for its corporate loans portfolio. The internal risk rating model grades all cash and non-cash loans in three categories as low, medium and high risk. The ratings are dynamically used for credit allocation and authorization limits at approval stage.

At FYE2016, Aktif Bank extended 69.70% of its loan book to corporates and the remaining (FYE2015: 27.20%) 30.30% was consumer loans. On the other hand, 41% (FYE2015: 46.32% and FY2014: 50.41%) and 47.98% (FYE2015: 53.78% and FY2014: 45.49%) of the Bank's cash and non-cash loans directly or indirectly were given to group companies, respectively. In line with the management's medium term growth projections, the share of cash loans allocated to the Group companies maintained a decrease in FY2016.

The Bank's (i) largest 100 cash loan customers composed 71.48% of the total cash loan portfolio as of FYE2016 (FYE2015: 73.43%) (ii) largest 100 non-cash loan customers composed 100% of the total non-cash loan portfolio as of FYE2016 (FYE2015: 100%), indicating high concentrations.

c. Market Risk

In the financial risk management framework, the Bank aims to keep the FX position in balance and to minimize the liquidity and interest risks in order to hedge against the risks that may arise in the market conditions. In this scope, "Financial Emergency Procedure" was set up with the approval of the BoD and began to monitor the defined criteria.

The Bank management executes and monitors its market risks related issues and takes the necessary measurements in accordance with the Communiqué on Measurement and Evaluation of Capital Adequacy of Banks'. The Bank calculates and reports general market risk using the 'Standard Method' in line with the methodology outlined in the regulations. In addition to the 'Standard Method', The Bank measures and monitors daily its market risk with the value at risk (VaR) methods in the context of the 'Internal Model'. VaR is calculated using the 'Historical Simulation' and 'Parametric' methods, and is supported with back-tests & stress tests. The results are shared with the related units.

Aktif Bank is principally exposed to the fluctuations in interest rates and foreign currency risks in the context of market risk. The overall authority for market risk is assigned to the Asset Liability Committee (ALCO). To manage any particular interest rate risk, pre-approved limits of re-pricing bands have been set and interest rate gaps are continuously monitored by ALCO and is assisted by Risk Management Department. The Bank measures the interest rate sensitivity of assets, liabilities and off-balance sheet items in meetings of the Asset-Liability Committee.

As of FYE2016, the Bank's total foreign currency position to assets and equity ratios were 0.26% and 2.53%, respectively, and were compatible with the regulations.

d. Liquidity Risk

Aktif Bank executes its liquidity risk by maintaining an adequate level of liquid assets to meet its obligations even in stressed conditions and accomplishes the regulations regarding liquidity implemented by the BRSA. Within its "Contingency Funding Plan" the Bank engages appropriate mechanisms to avoid increases in liquidity risk during normal and liquidity crisis scenarios for different conditions and risk levels. In addition to the requirement of legal liquidity ratios, ALCO sets internal liquidity ratios such as liquid assets to total assets and liquid assets to portfolio of issued bank bonds. Risk management unit closely monitors the liquidity conditions under the pre-determined limits.

Funds for short-term liquidity needs are provided through either internal sources or interbank lines, while long term liquidity needs are managed by utilizing capital market instruments through both domestic and foreign markets.

53.65% of the financial total liabilities were placed in the up to one-month bracket that resulted in the Bank's short term funding profile, placing pressure on liquidity management through renewal risks along with an increase in dependence on capital and money markets. Despite the very short-term funding structure, the management provided adequate funding sources through good access to financial markets and funding mix in FY2016 and no violation was observed in this field.

It should also be borne in mind that investment securities which amounted to TRY 837.3mn are given as collateral for performing transactions at stock exchange and repurchase agreement transactions. These transactions reduce the liquidity function of investment securities, which are deemed as liquid assets, and do not contribute to the liquidity management.

Within the framework of Basel III harmonization process, the BRSA published an initial Communiqué (the Regulation on Liquidity Coverage Ratios) dated March 21, 2014 and published in the Official Gazette no. 28948 and an amendment Communiqué dated August 20, 2015 and published in the Official Gazette no. 29451 stipulating therein that the Banks must maintain an adequate level of high quality liquid assets (HQLA) on consolidated and unconsolidated bases to meet the net cash outflows. The ratios of the HQLA stock to net cash outflows have been kept to a minimum of 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of total consolidated and unconsolidated foreign currency liquidity. Pursuant to the decision of BRSA dated 24 December 2015 and number of 6613;

Development and Investment Banks will;

- Maintain weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities for calculating and reporting liquidity ratios as per the framework of the 'Communiqué on Measurement and Evaluation of Liquidity Adequacy of Banks' and total assets/liabilities should stand at a minimum of 80% and 100%, respectively.
- Calculate liquidity coverage ratios as zero up to FY2017

The FY2016 last 3-month average Liquidity Coverage Ratios of Aktif Bank on consolidated and unconsolidated bases are shown below:

Average LCRs FY2015 of Aktif Bank	Turkish Lira + Foreign Currency	Foreign Currency
Consolidated LCR	27.23%	27.56%
Unconsolidated LCR	29.27%	28.79%

According to the BRSA regulations, leverage (core capital to total risk) is calculated through the arithmetic average of each three months and should be maintained at a minimum of 3%. This ratio was 7.44% as of FYE2016 (FYE2015: 7.15%) and was above the required level. Accordingly, the Bank's liquidity ratios were above the requirement levels and remained compliant with BRSA parameters in 2016.

e. Operational, Legal, Regulatory & Other Risks

The Bank measures and reports operational risk by using the "Basic Indicator Approach" in accordance with the "Communiqué on Measurement and Evaluation of Capital Adequacy of Banks". The Bank places importance on compliance with the regulations set by the authorities and changes to the legal framework. Operational risks are managed effectively through the formation and implementation of risk management policies, network security and human resources. Business continuity is ensured by implementing back-up and disaster recovery plans and systems. A hot side center in Ümraniye-Istanbul and emergency center in Ankara were established to provide uninterrupted services in the event of disaster, fire, flood, earthquake, etc. In addition to the Bank's timely risk management applications assisted by the risk management, internal audit, internal control and compliance departments, the Bank insures its premises and equipment, money transfers, liability insurance, business interruption and loss of rent. The Bank has also set a comprehensive financial emergency plan to immediately respond to fluctuations in the market.

In FYE2016, the Bank incurred a loss of total TRY 291k and a sizable portion of it was due to fraudulent loan transactions. Moreover, there was a total fine of TRY 4.37mn imposed by legal authorities which is largely associated with violation of Consumer Protection regulations no 6502.

8. Budget & Debt Issue

a. Budget

Based on solo figures in line with BRSA standards, Aktif Bank projected growths of 15.73% in equity, 14.25% in assets, 45.96% in issued bonds, 24.67% in loans and 39.39% in net profit, respectively, within the framework of projections and budgeting activities in FY2017 compared to the results of FYE2016.

Actual and Projected Balance Sheet

(TRY 000)	2016A	2017F
Cash and Balances with Central Bank	1,135,016	1,372,208
Placement and Balances with Banks	557,512	150,928
Investment Securities	1,072,563	1,054,572
Net Loans	5,887,644	7,340,172
Overdue Loans	103,526	165,175
Induvial provision	-76,620	-108,090
Associates & Subsidiaries	282,708	282,707

Fixed Assets	296,947	273,051
Other Assets	305,858	366,637
Total Assets	**9,538,248**	**10,897,362**
Debt Securities Issued	3,174,965	4,634,032
Received Loans	2,824,068	2,640,120
Money Markets Debts	772,249	847,204
Funds	833,711	1,139,185
Provisions	142,093	145,261
Other Liabilities	738,223	249,669
Total Liabilities	**8,485,309**	**9,678,833**
Equity	**1,052,939**	**1,218,529**
Total Liabilities and Total Equity	**9,538,248**	**10,897,362**

As of 1Q2017, the Bank's assets, issued bonds, loans and equity were TRY 9,507mn, 2,588mn, 6,152mn and 1,102mn, respectively. Despite showing a weak performance in the first quarter of the ongoing year, the Bank's 2017 projections are achievable and consistent with its past performance.

Aktif Bank is expected to gained a net profit of TRY 155mn by FYE2017, an increase of 39.39% YoY. At 1Q2017, the Bank recorded a net profit of TRY 47mn, more than double the previous year's figure of TRY 23mn. The first quarter net profit outcome indicates that the Bank's profit enlargement target is easily achievable and consistent with balance sheet growth projections.

Actual and Projected Income Statement

(TRY 000)	2016A	2017F
Interest Income	800,936	1,002,324
Interest Expense	-440,548	-526,993
Net Interest Income	360,388	475,331
Net Fees and Commissions	96,882	60,367
Net FX Gain /Loss	106	5,400
Net Trading Gain /Loss	11,486	6,603
Other Income / Expenses	35,267	6,260
Total Operating Expenses	-314,838	-312,635
Provision Expenses	-49,573	-41,635
Profit Before Tax	144,860	199,671
Net Profit	**111,132**	**154,903**

b. Debt Issue

Since the first bank bond issue in 2009, Aktif Bank successfully settled unsecured bond issuances (Aktif Bono) which reached TRY 19bn at FYE2016. The Bank has diversified issued bond instruments through innovative products such as double currency bond, increasing interest bond and founded bond. Up to now, the Bank has made payments of all issued bonds on their maturity date

As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bond issued by Aktif Bank, the note assigned for the TRY dominated bond issuance has been assigned as the same to that of the Company's Long and Short Term National Local Ratings.

Given the budget estimations and the previous track record, all interests and principal payments are expected to be paid on their maturities through renewal of the issued debt instruments or generating funds via downsizing extended loans.

Aktif Yatırım Bankası A.Ş. BALANCE SHEET - ASSET (000)	FYE 2016 USD (Converted)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	As % of 2014 Assets (Original)	FYE 2016 Growth Rate %	FYE 2015 Growth Rate %	FYE 2014 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**2,356,643**	**8,323,193**	**7,508,645**	**6,694,096**	**5,860,282**	**5,026,467**	**4,665,999**	**4,305,531**	**87.77**	**88.59**	**80.40**	**24.34**	**33.18**	**16.74**
I- LOANS AND LEASING RECEIVABLES (net)	**1,563,047**	**5,520,369**	**5,079,315**	**4,638,261**	**4,310,777**	**3,983,292**	**3,780,581**	**3,577,869**	**58.21**	**61.38**	**63.71**	**19.02**	**16.44**	**11.33**
a) Short Term Loans	1,555,058	5,492,154	5,050,579	4,609,003	4,262,654	3,916,305	3,734,279	3,552,253	57.92	60.99	62.64	19.16	17.69	10.25
b) Lease Assets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Medium & Long Term Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	29,313	103,526	97,883	92,240	106,146	120,052	103,999	87,945	1.09	1.22	1.92	12.24	-23.17	36.51
e) Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-21,324	-75,311	-69,147	-62,982	-58,024	-53,065	-57,697	-62,329	-0.79	-0.83	-0.85	19.58	18.69	-14.86
II- OTHER EARNING ASSETS	**475,419**	**1,679,084**	**1,402,089**	**1,125,094**	**640,216**	**155,337**	**119,105**	**82,873**	**17.71**	**14.89**	**2.48**	**49.24**	**624.29**	**87.44**
a) Balance with Banks -Time Deposits	158,386	559,386	387,843	216,299	185,818	155,337	119,105	82,873	5.90	2.86	2.48	158.62	39.24	87.44
b) Money Market Placements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Reserve Deposits at CB (*)	200,350	707,595	696,600	685,604	342,802	0	0	0	7.46	9.07	n.a	3.21	n.a	n.a
d) Balance With CB- Demand Deposits	116,684	412,103	317,647	223,191	111,596	0	0	0	4.35	2.95	n.a	84.64	n.a	n.a
III- SECURITIES AT FAIR VALUE THROUGH P/L	**318,178**	**1,123,740**	**1,027,241**	**930,741**	**909,290**	**887,838**	**766,314**	**644,789**	**11.85**	**12.32**	**14.20**	20.74	4.83	37.69
a) Treasury Bills and Government Bonds	160,568	567,093	685,473	803,853	791,899	779,944	712,367	644,789	5.98	10.64	12.48	-29.45	3.07	20.96
b) Other Investment	157,610	556,647	341,768	126,888	117,391	107,894	53,947	0	5.87	1.68	1.73	338.69	17.60	n.a
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	**6,456**	**22,803**	**17,772**	**12,741**	**11,984**	**11,226**	**9,951**	**8,675**	**0.24**	**0.17**	**0.18**	**78.97**	**13.50**	**29.41**
a) Investments in Associates (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	6,456	22,803	17,772	12,741	11,984	11,226	9,951	8,675	0.24	0.17	0.18	78.97	13.50	29.41
C- NON-EARNING ASSETS	**321,938**	**1,137,020**	**993,416**	**849,812**	**1,031,973**	**1,214,134**	**1,004,214**	**794,294**	**11.99**	**11.25**	**19.42**	**33.80**	**-30.01**	**52.86**
a) Cash and Cash Equivalents	4,874	17,213	14,664	12,115	10,031	7,947	6,430	4,912	0.18	0.16	0.13	42.08	52.45	61.79
b) Balance with Banks - Current Accounts	0	0	0	0	310,399	620,798	514,403	408,008	n.a	n.a	9.93	n.a	-100.00	52.15
c) Financial Assets at Fair Value through P/L	14,295	50,486	29,879	9,271	6,761	4,251	5,250	6,248	0.53	0.12	0.07	444.56	118.09	-31.96
d) Accrued Interest from Loans and Lease	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Other	302,769	1,069,321	948,874	828,426	704,782	581,138	478,132	375,126	11.28	10.96	9.30	29.08	42.55	54.92
- Intangible Assets	49,858	176,087	150,261	124,434	114,038	103,641	81,901	60,160	1.86	1.65	1.66	41.51	20.06	72.28
- Property and Equipment	78,123	275,916	253,818	231,719	212,664	193,608	187,779	181,950	2.91	3.07	3.10	19.07	19.68	6.41
- Deferred Tax	355	1,254	4,147	7,039	9,657	12,275	8,697	5,118	0.01	0.09	0.20	-82.18	-42.66	139.84
- Other	174,433	616,064	540,649	465,234	368,424	271,614	199,756	127,898	6.50	6.16	4.34	32.42	71.28	112.37
TOTAL ASSETS	**2,685,038**	**9,483,016**	**8,519,833**	**7,556,649**	**6,904,238**	**6,251,827**	**5,680,164**	**5,108,500**	**100.00**	**100.00**	**100.00**	**25.49**	**20.87**	**22.38**

Aktif Yatırım Bankası A.Ş. BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2016 USD (Converted)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	As % of 2014 Assets (Original)	FYE 2016 Growth Rate %	FYE 2015 Growth Rate %	FYE 2014 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**2,145,250**	**7,576,594**	**6,752,431**	**5,928,267**	**5,541,699**	**5,155,131**	**4,642,308**	**4,129,484**	**79.90**	**78.45**	**82.46**	**27.80**	**15.00**	**24.84**
I- DEPOSIT	**1,118,720**	**3,951,097**	**3,426,834**	**2,902,570**	**3,156,922**	**3,411,273**	**2,935,925**	**2,460,577**	**41.66**	**38.41**	**54.56**	**36.12**	**-14.91**	**38.64**
a) TRY Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) FC Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) FC & LC Banks Deposits and Debt Securities Issued	1,118,720	3,951,097	3,426,834	2,902,570	3,156,922	3,411,273	2,935,925	2,460,577	41.66	38.41	54.56	36.12	-14.91	38.64
II- BORROWING FUNDING LOANS & OTHER	**1,026,530**	**3,625,497**	**3,325,597**	**3,025,697**	**2,384,778**	**1,743,858**	**1,706,383**	**1,668,907**	**38.23**	**40.04**	**27.89**	**19.82**	**73.51**	**4.49**
a) Borrowing from Domestic Market	108,331	382,602	377,826	373,050	294,458	215,865	356,899	497,932	4.03	4.94	3.45	2.56	72.82	-56.65
b) Borrowing from Overseas Markets	692,776	2,446,746	2,290,941	2,135,135	1,714,614	1,294,093	947,218	600,342	25.80	28.26	20.70	14.59	64.99	115.56
c) Borrowing from Interbank	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Securities Sold Under Repurchase Agreements	215,870	762,409	620,218	478,027	335,852	193,677	366,041	538,404	8.04	6.33	3.10	59.49	146.82	-64.03
e) Subordinated Loans & Others	9,553	33,740	36,613	39,485	39,854	40,223	36,226	32,229	0.36	0.52	0.64	-14.55	-1.83	24.80
B- NON-COST BEARING RESOURCES	**261,283**	**922,800**	**835,634**	**748,467**	**479,280**	**210,092**	**175,805**	**141,518**	**9.73**	**9.90**	**3.36**	**23.29**	**256.26**	**48.46**
a) Provisions	19,706	69,597	53,295	36,992	33,488	29,983	42,019	54,054	0.73	0.49	0.48	88.14	23.38	-44.53
b) Current & Deferred Tax Liabilities	2,135	7,539	8,976	10,412	10,148	9,883	9,337	8,791	0.08	0.14	0.16	-27.59	5.35	12.42
c) Trading Liabilities (Derivatives)	37,392	132,061	136,125	140,188	88,892	37,595	28,993	20,390	1.39	1.86	0.60	-5.80	272.89	84.38
d) Other Liabilities	202,051	713,603	637,239	560,875	346,753	132,631	95,457	58,283	7.53	7.42	2.12	27.23	322.88	127.56
C- TOTAL LIABILITIES	**2,406,533**	**8,499,394**	**7,588,064**	**6,676,734**	**6,020,979**	**5,365,223**	**4,818,113**	**4,271,002**	**89.63**	**88.36**	**85.82**	**27.30**	**24.44**	**25.62**
D- MINORITY INTEREST	**2,577**	**9,100**	**7,211**	**5,321**	4,889	**4,457**	**4,445**	**4,432**	**0.10**	**0.07**	**0.07**	**71.02**	**19.39**	**0.56**
E- EQUITY	**275,928**	**974,522**	**924,558**	**874,594**	**878,371**	**882,147**	**857,607**	**833,066**	**10.28**	**11.57**	**14.11**	**11.43**	**-0.86**	**5.89**
a) Prior Year's Equity	249,141	879,915	883,260	886,604	862,051	837,498	647,895	458,292	9.28	11.73	13.40	-0.75	5.86	82.74
b) Equity (Added from Internal & External Resources at This Year)	-976	-3,447	-20,712	-37,977	-13,527	10,924	130,579	250,234	-0.04	-0.50	0.17	-90.92	-447.65	-95.63
c) Profit & Loss	27,763	98,054	62,011	25,967	29,846	33,725	79,133	124,540	1.03	0.34	0.54	277.61	-23.00	-72.92
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,685,038**	**9,483,016**	**8,519,833**	**7,556,649**	**6,904,238**	**6,251,827**	**5,680,164**	**5,108,500**	**100.00**	**100.00**	**100.00**	**25.49**	**20.87**	**22.38**
	USD Rates 1=TRY	**3.5318**		**2.9076**		**2.3189**		**2.1304**						

Aktif Yatırım Bankası A.Ş. INCOME STATEMENT (000) TRY	FY 2016	FY 2015	FY 2014
Net Interest Income	**355,663.00**	**307,398.00**	**238,622.00**
a) Interest Income	800,847.00	690,729.00	560,976.00
b) Interest Expense	445,184.00	383,331.00	322,354.00
Net Fee and Commission Income	**89,137.00**	**59,148.00**	**33,863.00**
a) Fee and Commission Income	131,631.00	91,818.00	58,098.00
b) Fee and Commission Expense	42,494.00	32,670.00	24,235.00
Total Operating Income	**277,852.00**	**259,101.00**	**126,553.00**
Net Trading Income/Loss (+/-)	4,374.00	-3,932.00	-10,654.00
Foreign Exchange Gain or Loss (net) (+/-)	0.00	0.00	0.00
Gross Profit from Retail Business	0.00	0.00	0.00
Premium income from insurance business	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00
Gains from Investment Securities (Net)	0.00	0.00	0.00
Other Operating Income	273,478.00	263,033.00	137,207.00
Taxes other than Income	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
Provisions	**27,386.00**	**25,087.00**	**0.00**
Provision for Impairment of Loan and Trade Receivables	12,386.00	10,087.00	0.00
Other Provision	15,000.00	15,000.00	0.00
Total Operating Expense	**554,081.00**	**548,440.00**	**357,599.00**
Salaries and Employee Benefits	164,930.00	168,629.00	125,888.00
Depreciation and Amortization	55,009.00	32,190.00	17,034.00
Other Expenses	334,142.00	347,621.00	214,677.00
Profit from Operating Activities before Income Tax	**141,185.00**	**52,120.00**	**41,439.00**
Income Tax – Current	43,131.00	26,153.00	7,714.00
Income Tax – Deferred	0.00	0.00	0.00
Net Profit for the Period	**98,054.00**	**25,967.00**	**33,725.00**

Aktif Yatırım Bankası A.Ş. FINANCIAL RATIOS %	FY 2016	FY 2015	FY 2014
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pretax Profit / Total Assets (avg.)	1.66	0.75	0.73
2. ROAE - Pretax Profit / Equity (avg.)	15.27	5.93	4.83
3. Total Income / Equity (avg.)	78.16	71.68	47.77
4. Total income / Total Assets (avg.)	8.48	9.12	7.21
5. Provisions / Total Income	3.79	3.98	0.00
6. Total Expense / Total Liabilities (avg.)	7.30	9.17	7.64
7. Net Profit for the Period / Total Assets (avg.)	1.15	0.38	0.59
8. Total Income / Total Expenses	130.42	113.98	111.25
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	8.02	10.23	-1.95
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	-2.26	-1.34	-16.06
11. Total Operating Expenses / Total Income	76.67	87.11	87.28
12. Net Interest Margin	4.74	5.25	5.11
13. Operating ROAA (avg.)	6.88	6.31	6.40
14. Operating ROAE (avg.)	63.42	49.57	42.42
15. Interest Coverage – EBIT / Interest Expenses	131.71	113.60	112.86
16. Net Profit Margin	13.57	4.12	8.23
17. Gross Profit Margin	19.54	8.28	10.11
18. Market Share in Turkish Development and Investment Banking Sector	6.68	7.09	7.40
19. Market Share in Entire Banking System	0.35	0.32	0.31
20. Growth Rate	25.49	20.87	22.38
II. CAPITAL ADEQUACY (year-end)			
1. Equity Generation / Prior Year's Equity	-0.39	-4.28	1.30
2. Internal Equity Generation / Previous Year's Equity	11.14	2.93	4.03
3. Equity / Total Assets	10.28	11.57	14.11
4. Core Capital / Total Assets	10.35	11.39	12.76
5. Supplementary Capital / Total Assets	0.89	1.00	1.23
6.Tier 1 Capital Ratio	11.70	12.50	11.61
7. Own Fund / Total Assets	11.24	12.39	13.99
8. Standard Capital Adequacy Ratio	12.70	13.60	12.73
9. Surplus Own Fund	37.02	41.17	37.15
10. Free Equity / Total Assets	5.27	6.69	9.18
11. Equity / Total Guarantees and Commitments + Equity	23.67	13.69	14.44
III. LIQUIDITY (year-end)			
1. Liquidity Management Success (On Demand)	99.85	97.53	98.02
2. Liquidity Management Success (Up to 1 Month)	93.39	97.24	98.19
3. Liquidity Management Success (1 to 3 Months)	90.69	87.90	88.14
4. Liquidity Management Success (3 to 6 Months)	95.49	98.64	96.04
5. Liquidity Management Success (6 to 12 Months)	95.49	98.64	96.04
6. Liquidity Management Success (Over 1 Year & Unallocated)	92.94	90.91	92.28
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	1.35	1.34	1.31
2. Total Provisions / Profit Before Provision and Tax	16.25	32.49	0.00
3. Impaired Loans / Gross Loans	1.85	1.96	2.97
4. Impaired Loans / Equity	10.62	10.55	13.61
5. Loss Reserves for Loans / Impaired Loans	72.75	68.28	44.20
6. Total FX Position / Total Assets	0.26	0.23	0.13
7. Total FX Position / Equity	2.53	2.01	0.92
8. Assets / Total Guarantees and Commitments + Assets	75.11	57.81	54.47

The Previous Rating Results Issued by JCR Eurasia Rating

			June 10, 2010		May 31, 2011		May 23, 2012		May 31, 2013		May 22,2014		June 01, 2015	
			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign currency		BB	B	BB	B	BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Local currency		BB	B	BB	B	BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
		LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
National	Local Rating		A- (Trk)	A–1(Trk)	A (Trk)	A–1(Trk)	A+ (Trk)	A–1(Trk)	AA(Trk)	A–1+ (Trk)	AA (Trk)	A-1+(Trk)	AA (Trk)	A-1+(Trk)
	Outlook		Positive	Stable	Positive	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Sponsor Support			2	-	2	-	3	-	3	-	3		2	
Stand Alone			BC	-	B	-	AB	-	AB	-	AB		AB	
Sovereign*	Foreign currency		BB	-	BB	-	BB	-	BBB-	-	BBB-		BBB-	
	Local currency		BB	-	BB	-	BB	-	BBB-	-	BBB-		BBB-	
	Outlook	FC	Stable		Stable		Stable		Stable		Stable		Stable	
		LC	Stable		Stable		Stable		Stable		Stable		Stable	

The Previous Rating Results Issued by JCR Eurasia Rating

			June 01,2016											
			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign currency		BBB-	A-3										
	Local currency		BB	A-3										
	Outlook	FC	Stable	Stable										
		LC	Stable	Stable										
National	Local Rating		AA (Trk)	A–1+(Trk)										
	Outlook		Stable	Stable										
Sponsor Support			2	-										
Stand Alone			AB	-										
Sovereign*	Foreign currency		BBB-	-										
	Local currency		BBB-	-										
	Outlook	FC	Stable											
		LC	Stable											