JCR Eurasia Rating
"Global Knowledge Supported by Local Experience"

TURKEY

Corporate Credit Rating (Update)

Banking

aktifbank		Long-Term	Short-Term
International	Foreign Currency	BBB-	A-3
International	Local Currency	BBB-	A-3
International	Outlook	Stable	Stable
National	Local Rating	AA (Trk)	A-1+(Trk)
National	Outlook	Stable	Stable
Sponsor Support		2	-
Stand Alone		AB	-
Sovereign*	Foreign Currency	BBB-	-
Sovereign*	Local Currency	BBB-	-
Sovereign*	Outlook FC	Stable	-
Sovereign*	Outlook LC	Stable	-

* Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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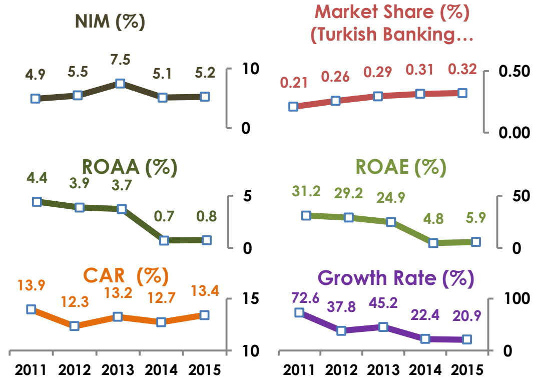


Aktif Yatırım Bankası A.Ş.

Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (USD mn)	2,599	2,696	2,398	1,979	1,351
Total Assets (TRY mn)	7,557	6,252	5,109	3,518	2,553
Total Net Loans (TRY mn)	4,638	3,983	3,578	2,367	1,678
Equity (TRY mn)	875	882	833	458	348
Net Profit (TRY mn)	26	34	125	95	66
Market Share (%) **	7.09	7.40	7.28	6.67	6.13
ROAA (%)	0.75	0.73	3.73	3.88	4.44
ROAE (%)	5.93	4.83	24.92	29.20	31.23
Equity/Assets (%)	11.57	14.11	16.31	13.03	13.63
Capital Adequacy Ratio (%)	13.60	12.73	13.23	12.34	13.94
Annual Asset Growth Rate (%)	20.87	22.38	45.23	37.79	72.56

* End of year ** 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 8 branches along with a workforce of 634 as of FY2015. As having the largest alternative delivery channels, the Bank offers a wide range of products and services through thousands of touch points without the need for opening new branches. The Bank, with over 16k customer touch points including PTT Branches, N Kolay Points, Dealers, E-Kent Points, N-Kolay Stores, Branches and Money Post Offices, has turned into a true retail platform.

In FY2015, higher OPEX continued to exert pressure on profitability figures and the Bank's net profit contracted by 23% year on year basis, though its pre-tax profit exhibited an increase of 25.78%. According to the solo based financials compliant with Banking Regulation and Supervision Authority (BRSA) standards, solo net profit was TRY 80.9mn and almost flat compared to the previous year's figure of TRY 80.8mn and remarkably different from the TRY 26mn IFRS based consolidated profit. Regarding the return on assets, the Bank underperformed both the Turkish Banking and the Development & Investment Banking Sectors' averages. On the other hand, taking into consideration the return on equity, while the Bank outperformed the Development & Investment Banking Sector, it underperformed the Turkish Banking Sector. In the first quarter of the ongoing year, the Bank reported net profits of TRY 23.31mn, (1Q2015: TRY 10.45mn) exhibiting a notably increase with a rate of 123% over the previous year. Decrease in OPEX and increase in operating income supported net profit increase in the 1Q2016.

Although Aktif Bank is not entitled to receive deposits, it has fueled its sound growth performance through funding from issued bank bonds, asset backed securities, sukuk certificates and its own internal resources. Aktif Bank, Turkey's largest privately owned Investment Bank, was ranked 23rd among 47 banking institutions at FYE2015 as in the previous year.

Strengths

- Exceptional growth performance following the restructuring process which began in 2007 that turned Aktif Bank into the largest privately owned bank
- Continuous increase in market share across the Turkish Banking Sector as a whole
- Constant profit generation throughout the reviewed period, despite the realization of feeble profitability figures in last two consecutive years
- Having widest alternative delivery channels through thousands of customer touch point providing the Bank with a true retail platform associated with innovative products offering a competitive advantage in the market
- Existence of entrepreneurial-oriented management structure with established track record in the financial services industry
- Established strength of diversifying fund sources through issued bank bonds, asset based securities and Sukuk
- Higher CET1 capital share among the total shareholders' equity and continuity of profit retention policy strengthening the capital base
- Widely dispersed business mix across subsidiaries expected to make a larger contribution in the upcoming period
- Notable progress in NPLs book coupled with successful collection

Constraints

- Persisting high credit risk concentration among the cash and non-cash loans customers, with Significant share extended to the group companies along with the existence of non-secured loans portfolio with tangible assets
- Continuity of higher OPEX, pressurizing profit and profitability ratios
- Sector-wide structural maturity mismatches and short maturity profile of funding
- Upside risks via a weakened TRY and downside risks to growth exerting pressure on profit margins and impacts on debt-servicing capabilities of the real sector further aggravated by the recent upward trend in bankruptcy postponements
- Despite the relative improvement in reliance on capital and money markets to sustain high growth rates, possible emergence of liquidity risks in case of a sudden deterioration in market conditions

Publication Date: June 01, 2016 *"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 with a **'Stable'** outlook on both ratings. The Bank's Long Term Local and Foreign Currency notes have been also affirmed as **"BBB-"** with **"Stable"** outlooks.

In the assignment of Aktif Bank's ratings, quantitative and qualitative assessments have been taken into consideration such as; (i) improved capitalization level that was maintained above the required and recommended levels, though its unconsolidated CAR exhibited a below-sector-average level over the reviewed period and its higher CET1 capital share among the total shareholders' equity indicating a satisfactory shield against potential incidental losses, (ii) improvement in NPL ratio coupled with collection from non-performing loans book, (iii) having the widest alternative delivery channel network, (iv)pioneering position with respect to innovative products, (v) compliance level with corporate governance principles, (vi) short funding profile, (vii) lower profitability indicators, (viii) market share, (ix) growth projections and high credit risk concentration.

This assignment is primarily based on Aktif Bank's consolidated independent audit report 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;

Feeble Profitability Figures

As per consolidated IFRS based reports, Aktif Bank achieved a net profit of TRY 26mn, exhibiting a contraction of 23% compared to the previous year's TRY 33.7mn, though its pre-tax profit increased to TRY 52mn from TRY40.7mn. On the other hand, the Bank gained TRY 80.9mn (FY2014: 80.8mn) of net profit according to the solo based financials.

Reversal of the general provisions amounting to TRY 5mn, which was provisioned in the previous year in line with the management cautiousness policy, and collection of non-performing loan portfolio (TRY 27.8mn) contributed to the Bank's net profit in FY2015. Conversely, TRY 15mn of provisions for possible losses regressed the profitability. Although the Bank operates with an over sector average net interest margin, higher and increasing OPEX pressures the profit and profitability ratios.

Concerning the return on assets, the Bank underperformed the sector averages in the last two consecutive years. Although the return on equity ratio remained above that of the Development and Investment Banking sector stemming from the higher equity level of the sector, it fell below that of the Turkish Banking Sector as a whole following FY2013.

It must also be borne in mind that the Bank's investments in direct and alternative delivery channels have continued to place stress on the profitability indicators. However, these investments are expected to pay off in the upcoming periods.

The Largest Privately-Owned Investment Bank

Since the restructuring began in 2007, the Bank posted an exceptional growth performance in the last nine-year period and folded its assets by a factor of 112. As of FYE2015, the Bank was ranked 23rd among 47 banking institutions with an asset size of TRY 7,557mn. Furthermore, the Bank's asset size based market share was 0.32% among the entire Turkish Banking Sector and 7.09% across the Development & Investment Banking Sector at FYE2015. The Bank outperformed the sector averages, the cumulative growth of the Bank was nearly three times that of the Turkish Banking and 1.7 times that of the Development & Investment Banking Sectors, over the last five-year period.

Growth Performance Returned to Average Course Following Peak Levels During Transformation Period

Aktif Bank achieved growths of 20.87%, 16.44%, 24.44% in asset, loans and liabilities respectively in FY2015 while its equity and net profit figure contracted by 0.86% and 23% respectively, regarding IFRS based financials. On the other hand, regarding solo financials based on BRSA reporting, the Bank underperformed both the Turkish Banking and Development & Investment Banking sector averages in those fields with the exception of Turkish Banking's asset and liability growths.

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. As of December 2015, 48.52% (FYE2014: 51.72%) of total liabilities were placed in the less than one-month maturity 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 aforementioned markets due to sudden turmoil in market conditions, the Bank may encounter complications due to maturity mismatches of asset and liabilities. On the other hand, the Bank's liquidity levels are monitored closely by the treasury and risk management units in line with the BRSA regulations. No violations are observed in 2015, and the Bank attained satisfactory liquidity threshold levels.

Firm NIM Continues to represent a Competitive Edge

As of December 31, 2015, the Bank's net interest margin was 5.25% which increased from 5.11% at FYE2014, while those of the Turkish Banking and Investment and Development Banking sectors were 3.84% and 3.45%, respectively. Over the reviewed period, the NIM ratio of the Bank remained above the sector averages. Accordingly, the sound NIM ratio states the bank's effectiveness and sustainability of income streams.

Leaner Capitalization Level Compared to the Sector Averages Despite Being Above the Legal Boundaries

Aktif Bank's non-consolidated capital adequacy ratio amplified to 13.60% at FYE2015 from 12.73% at FYE2014, however stayed below the sector average levels over the reviewed period. On the other hand, the capital adequacy ratio of the Bank remained to be above the minimum CAR requirements (8%) set by the Basel Accord and the recommended level (12%) by the BRSA. The Bank has also remained compliant with the minimum requirements of Common Equity Tier 1 Ratio (4.5%) and Tier 1 Ratio (6%) set by the BRSA effective from January 1, 2014. The Bank's Tier 1 and CET1 ratios were 12.50% and 13.13% respectively. Accordingly, the current level of capitalization has the shield against incidental loan loss.

Modest Asset Quality

The non-performing loans ratio exhibited a remarkable progress to 1.98% from 3.03% at FYE2014 owing to denominator effects of growing loans portfolio by 16.44% coupled with contraction of non-performing loan book by 23.17% on a YoY basis. Enhancement in NPL ratio brought the Bank below the Turkish Banking Sector average, despite remaining above the Development and Investment Banking Sectors.

The Bank's specific loan loss reserves coverage hiked to 73.85% from 56.47% at FYE2014 and the ratio converged with both the Turkish Banking and Deposits & Investment Banking Sector averages.

Based on the unconsolidated financial statements prepared in line with BRSA standards, 27.9mn in loans were placed under follow-up (in addition to TRY 92.2mn non-performing loans portfolio) and loan payment plans of TRY 399.3mn were extended several times. 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 and return on loans.

Persisting High Credit Risk Concentration

Aktif Bank granted 72.80% of its loan book as corporates and the remaining 27.20% was consumer loans. On the other hand, 46.32% (FY2014: 50.41%) and 53.78% (FY2013: 45.49%) of the Bank's cash and non-cash loans directly or indirectly were given to group companies, respectively.

The Bank's largest 20 cash loan customers composed 98.1% of the total corporate cash loan portfolio as of FYE2015 (FYE2014: 99.35%) and largest 20 non-cash loan customers composed 91% of the total non-cash loan portfolio as of FYE2015 (FYE2014: 96.13%).

Operational Environment Still Exposed to Uncertainties

The tension in international and domestic politics and the unrest in some bordering countries continue. Upside risks through fluctuated and weakened TRY and downside risks to growth also exert pressure on profit margins while the weakened debt-servicing capabilities of the real sector, which have been further aggravated by the recent upward trend in bankruptcy postponements continue to deteriorate asset quality.

Conversely, the expected cutback on the general provision rate by the BRSA following the prudential measures implemented in the previous periods to limit credit growth and individual consumption and new regulations regarding granted loans to tourism sector is anticipated to contribute to the profitability indicators of the sector.

The Widest Distribution Network and Innovative Product Range

As having the largest alternative delivery channels, the Bank offers a wide range of products and services through thousands of touch points without the need for opening branches. The Bank, with over 16k customer touch points including PTT Branches, N'Kolay Points, Dealers, E-Kent Points, N-Kolay Stores, Branches and Money Post Offices, has turned into a true retail platform.

Aktif 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).

E-Kent provides transportation infrastructure services to millions in 33 locations including Ankara, Bursa, Gaziantep & Kayseri. Additionally, E-Kent is the systems integrator of Turkish Football Federation's E-ticket project.

In the context of a business model "N Kolay", the Bank has reached a monthly transaction volume of 2.5mn, in every province of Turkey through nearly 5,500 service points, which enable payments from bill, insurance, transportation & GSM top up, money transfers, match ticket sales and some others.

The Bank has been awarded on many occasions by international financing institutions for its innovative products.

2. Outlook

JCR Eurasia Rating has affirmed "**Stable**" outlooks on the short and long term national and international rating perspectives of Aktif Bank, considering the Bank's satisfactory capitalization level which is above the legal and targeted boundaries, continuous profit generated from its activities, growth performance, market shares, risk appetite and management, asset composition, broader net interest margin and business mix, growth forecasts along with 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) remarkable enhancement in the ratios of profitability, liquidity and capital adequacy, (ii) upgrades in Turkey's country ceiling ratings, (iii) improvement in the domestic and global financial climate, (iv) progress in market position, (v) diversifying funding mix and extending maturity profile, (vi) progress in asset quality through decreasing credit risk concentration coupled with continuity of successful collection from non-performing loan book, (vii) enhancement of the compliance level with corporate governance principals, and (viii) 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 operates in 13 countries on 3 continents including countries in the Middle East, North Africa, 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, 2015, the Group's consolidated financial figures in asset size, revenue, equity and net profit were TRY 22.1bn, 7.2bn, 2.1bn and 263.8mn, respectively. The Group provides job opportunities for nearly 8,000 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 of Çalık Yatırım Bankası A.Ş. in July 1999 as an investment bank. On August 1, 2008, the Bank publicized its new name as Aktif Yatırım Bankası A.Ş. While the corporate, retail, investment and regional 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 and collections through its subsidiaries.

b. Organization & Employees

The Bank's headquarters is located in Zincirlikuyu/Istanbul, a financial and business district. The Bank has eight branches and employed a staff force of 634 (FY2014: 784). Aktif Bank's organizational structure is configured into the major functions of 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 the conventional services stream offered through the branch network, the Bank takes advantage of alternative delivery channels through over 16k of customer touch points including PTT offices (4,714), N'Kolay Points

(5,272), Dealers (3,554), E-Kent Points (2,195), N-Kolay Stores (388) and Money Post Offices (6) 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 862.58mn in FY2015 from TRY 697.08mn through internal means.

Shareholders	2014	2015
	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)	697,085	862,585

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 %	
			2014	2015
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	99.27
E-Kent Teknoloji ve Ödeme Sistemleri San. ve Tic. A.Ş.	Turkey	Payment System	99.27	99.27
N Kolay Mağazacılık A.Ş.	Turkey	Payment System	99.27	99.27
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	79.42
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri A.Ş.	Turkey	Service	99.27	99.27
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

d. Corporate Governance

As shares of the Bank are not publicly listed, it is not obliged to fully comply with the Corporate Governance Practices set out by the Capital Markets Board. However, the 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 provides information and documentation through its web page, the Public Disclosure Platform (PDP), and the Information Society Services. Periodic audited financial reports, vision, mission, shareholder structure, senior management and their CVs, annual reports, the Minutes of the General Meeting and corporate governance compliance report, ethical rules and organizational structure documents are disclosed to the public. On the other hand, the major deficiencies with regards to internationally accepted practices and regulations of the Turkish Capital Market are the absence of the independent members in the Board of Directors, absence of a stakeholder's policy protecting the stakeholder's rights beyond the general legal framework, and the absence of disclosure and social responsibility polices.

The Bank's Board is currently composed of seven members 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.

Accordingly, 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 reasonable.

e. The Bank Strategies

In line with its vision, " *Our vision is to approach products and services, developed with the target of being an effective financial group, provide a management structure and entire workflow with a global vision, create a decentralized work environment that embraces opportunities and risks in different geographies, and to perform sustainable, value adding activities that respect the environment, not just in Turkey, but also throughout the region*" the Bank has experienced a metamorphosis during last decade.

With its "New Generation Banking" business model and non-branch based growth strategy, Aktif Bank has focused on niche markets where the low levels of competition provide advantages. In this sense, Aktif Bank continues to concentrate on innovative product development, direct marketing and service channels, and cross-selling among its products and services. As the Bank already has a solid customer base and expects to achieve growth in the following periods, there exists a great potential to generate additional value through cross-selling of its products.

Furthermore, the Bank targets to improve its operational efficiency via reducing its non-financial costs. This will help Aktif Bank perform its activities with better profitability indicators and generate even more internally sourced funds, which will be used to fuel further expansion. The Bank's keen interest on innovation and promotion of alternative delivery channels is expected to continue in the future. With over 16k customer touch points, the Bank has the largest delivery channels and became a true retail platform.

During 2015, in the retail banking area that requires extensive distribution network, for highlighting the efficiency and effectiveness of digital banking, a model of "100% digital credit" has been implemented. New and existing Aktif Bank customers are enabled to process their loan applications through "nkolaykredi.com.tr" channel.

5. Sector Analysis

The Turkish Banking Sector, regulated by the Banking Regulatory and Supervisory Agency (BRSA), consists of deposit banks, development and investment banks, and participation banks which operate in line with Islamic principles on a profit-sharing model. The Banking Sector enjoys the largest share across the wider Turkish financial services industry with an asset size of USD 800bn (TRY 2,357bn) as of FYE2015.

SUMMARY OF KEY INDICATORS OF THE TURKISH BANKING SECTOR				
(000,000)	2015	2014	2013	2012
Asset size -TRY	2,357,472	1,994,263	1,732,382	1,370,750
Asset size-USD	807,879	857,047	813,172	771,124
Equity-TL	262,229	231,941	193,704	181,870
Profit-TL	26,062	24,610	24,664	23,589
ROAE%	1.52	1.69	2.01	2.33
ROAE%	13.39	14.79	16.59	18.49
NPL Ratio%	3.09	2.85	2.75	2.86
Capital Adequacy Ratio%	15.56	16.30	15.30	17.90
Equity / Total assets	11.12	11.63	11.18	13.27
Loans / Deposits%	1.18	1.17	1.10	1.03

Although the Turkish Banking Sector achieved a 5.9% increase in profitability in absolute terms during 2015, devaluation of the Turkish Lira has led to a 15.9% decrease in profitability and 9.85% decrease in equity, in terms of US Dollars. Macro-level regulations and limitations on credit cards and vehicle loans that aim for the reduction of the current deficit have resulted in changes in banking business models as well as rising competition within the sector.
The financial power of the Turkish Banking Sector to support economic activity has begun to degrade due to the devaluation of the Turkish Lira in 2015. On the other hand, the sector preserves its capacity to reach external resources and to sustain this potential. Borrowing costs of the US Dollar have a tendency to increase because of the expected contractionary monetary policy of the Federal Reserve (FED). On the contrary, expansion of the money supply in Europe has continued, limiting the cost of borrowing for Turkish Banks. It is quite possible that the expansionary monetary policy of the European Central Bank will continue in 2016, helping the Turkish Banking Sector in terms of financing costs.

International risk parameters are taken into consideration for the management of pricing policies and balance sheet mechanisms in the Turkish Banking Sector.

The Sector maintains its high return on assets (ROA) and net interest margin in the local currency. In addition, banks try to increase revenues via fees and commissions generated from transactions. Although the sector has a relatively low level of total assets compared to developed countries, banks have preserved their positive standing in 2015 in the following: profitability, non-interest expenses, capital ratio, inflation, and real growth. The continuation of growth in 2016 is dependent on the stability of the local currency.

The number of banks operating in the sector increased to 52 as of FYE2015, up from 51 in FYE2014. In order to provide broader access to banking services with further effectiveness, high levels of investment are maintained in several areas such as internet banking, ATM and POS systems. The concentration level of assets, loans and deposit across the sector is quite remarkable. As such, in all three of these mentioned fields, the total market share of the five largest banks was 60%. The highest levels of concentration are observed in the fields of deposits, loans, and profitability, respectively.
The share of foreign banks is relatively high within the equity structure of the sector.

NUMBER OF BANKS						
2015 DECEMBER TURKISH BANKING SECTOR	State Banks	Private Banks	SDIF Bank	Foreign Banks	Branches of Foreign Banks	TOTAL
DEPOSIT BANKS	3	9	1	15	6	34
DEVELOPMENT & INVESTMENT BANKS	3	6		4		13
PARTICIPATION BANKS	1		1	3		5
TOTAL	**7**	**15**	**2**	**22**	**6**	**52**

NUMBER OF BRANCHES						
2015 DECEMBER TURKISH BANKING SECTOR	State Banks	Private Banks	SDIF Bank	Foreign Banks	Branches of Foreign Banks	TOTAL
DEPOSIT BANKS	3,686	4,303	1	3,160	8	11,158
DEVELOPMENT & INVESTMENT BANKS	23	15		4		42
PARTICIPATION BANKS	24		200	857		1,081
TOTAL	**3,733**	**4,318**	**201**	**4,021**	**8**	**12,281**

Apart from international branches and deposit guarantees, the legal framework of the Turkish Banking Sector, which remains largely compliant with EU regulations, is currently in line with criteria for integration into the global economy, the Basel criteria, and the Capital Requirements Directives (CRD).

Small banks in the Turkish Banking Sector exhibit an oligopolistic competitive behavior based on resource management strategies whilst displaying monopolistic competitive conditions based on asset management strategies. On the other hand, large banks depict fully monopolistic competitive behavior when taking into account balance sheet management strategies. As such, competition is observed largely across the smaller players in the sector whilst competitive behavior among large banks remains limited due to the levels of concentration inherent in the sector.

National and international regulations, evolving customer demands, technology and politics exert a high level of effect over the Banking Sector. As the level of interaction with the external environment remains high, issues such as capital, liquidity, profitability, and cost management are expected to occupy an increasingly significant role on banks' agendas.

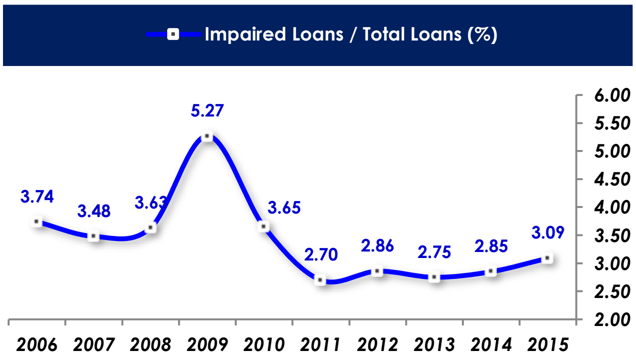
The Turkish Banking Sector, with an infrastructure shaped according to the needs of innovative and sustainable loans, deposit customers, and investors, possesses a dynamic structure in product and service provision. The robust capital structure and deepening of capital markets will continue to confer competitive advantages across the sector in the field of deposit collection and domestic and international fund raising throughout FY2016.

Currently lacking the desired levels of scale and cost productivity, it is anticipated that the Turkish Banking Sector will change its organizational structure and growth strategies throughout FY2016 accordingly.

Despite the fact that innovative channels are gaining importance in the sector, branches maintain their significance among the different distribution channels. The credit placement capacity of the Turkish Banking Industry is above the globally accepted optimum levels with the elasticity coefficients despite interest rate volatility and regulatory pressures. Local regulations have helped banks to be resistant against crises, while exerting negative pressure on productivity and profitability. However, financial innovations have helped counteract the negative effects of the regulatory constraints.

Although banks meet their financing needs mainly depending on deposits, the use of alternative resources has gained importance. Following the increase in funding opportunities resulting from the expansionary monetary policies of developed countries, banks' international liabilities have displayed an upward trend in recent years. The external debt rollover ratio of the sector maintained a level over 100% and the long term nature of the international funds helps to extend the maturity structure of the liability composition. The issuance of securities by banks has accelerated and maintained its growth trend.

The ratio of non-performing loans to equity realized a value of 12.87% in FYE2012 and increased to 15.29% and 15.69% in FYE2013 and FYE2014, respectively. In 2015, this figure climbed to 18.13%. While there was a nominal increase of 30.51% in the non-performing loans throughout 2015, the lower nominal increase of 19.76% in total loans resulted in a mathematical increase in the share of non-performing loans to total loans. The ratio of non-performing loans to assets was 3.09% as of FYE2015. On the other hand, concealed transactions, such as refinancing or tailor-fit protocols applied to customers with repayment difficulties, are not included in the above figures. Still, it is obvious that these transactions lead to a lower ratio of non-performing loans to assets.



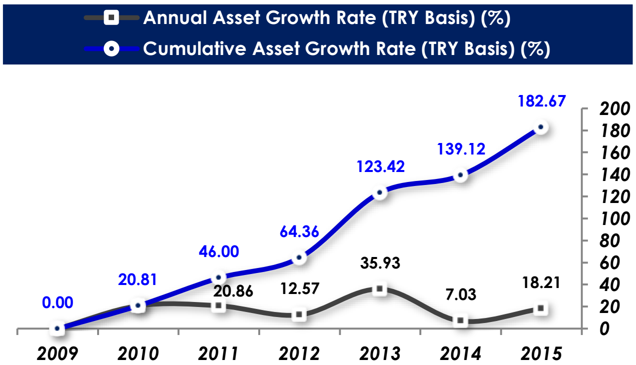
The capital adequacy ratio of the sector was 17.90% at FYE2012 and decreased in 2013 to 15.30%. However, the ratio recovered throughout FY2014 and increased to 16.30% at FYE2014. As of FYE2015, the capital adequacy ratio was 15.56%. 84.17% of legal equity was composed of principal equity, an indicator of a strong equity structure, despite decreasing from the 90% ratio observed in the past.

The Banking Sector maintained its asset growth throughout FY2015 principally resulting from the expansion in loans and statutory reserves similar to that of FY2014. This was largely funded via the increase in deposits, equity, issued securities and payables to banks.

MARKET SHARE %	2007	2008	2009	2010	2011	2012	2013	2014	2015
PARTICIPATION BANKS	3.34	3.52	4.03	4.30	4.61	5.13	5.55	5.23	5.10
DEVELOPMENT AND INVESTMENT BANKS	3.25	3.13	3.24	3.07	3.42	3.85	4.05	4.24	4.52
DEPOSIT BANKS	93.41	93.35	92.73	92.63	91.97	91.02	90.41	90.53	90.37
SECTOR	100	100	100	100	100	100	100	100	100

Deposit banks held the leading share among banking sector assets with a 90.37% share as of FYE2015. This was followed by participation banks and development banks with shares of 5.10% and 4.52%, respectively.

The Turkish Banking Sector featured successive growth on a cumulative basis with a cumulative growth rate of 182.67% for the 2009-2015 period.



In USD terms, the Turkish Banking Sector exhibited a cumulative growth rate of 46% for the 2009-2015 period.

When details of the FY2015 are examined, it can be observed that participation and investment banks recorded the greatest increase with a rate of 26.13%. Participation banks had an annual growth rate of 15.36% whilst deposit banks attained a growth rate of 18.01%. In contrast to the past, the low growth of participation banking throughout FY2015 stemmed from the transfer of Bank Asya to the Saving Deposit Insurance Fund and ongoing problems publicized in the press.

In FY2015, the annual growth rate of TRY liabilities was 11.60%, non-TRY liabilities 6.60% and the overall figure 18.20%. The annual growth rate of TRY assets stood at 10.57% while the same ratio for non-TRY assets was 7.64%. Thus, 13.51% of net TRY assets were financed by non-TRY liabilities

The main contribution to growth was centered on foreign exchange deposits among all liabilities. Borrowings from banks stood in second place while deposits were the third largest contributor to growth.

Deposits continue to enjoy the highest share with respect to funding of the Banking Sector. However, their share among total resources dropped to 52.83% at FYE2015 from 61.90% FYE2005.

The share of securities among total assets maintained an increasingly downward trend and fell to 13.98%. Loans, on the other hand, reached 62.98% at FYE2015 from 38.93% in FY2005.

The highest level of growth among total resources was observed across provisions for statutory reserves and bank liquidity requirements. Provisions, which constituted 3.68% of total assets in FY2005, formed 8.75% of total assets as of FYE2015. The desire to slow down credit growth is the major factor behind the increase in provision rates across the sector.

The indicators of profitability in the Turkish Banking Sector began to depict a downward trend, despite the maintenance of relatively high levels throughout FY2015. The domination of deposits within the sector's funding structure is a factor that increases the need for a branch network and operating budget and as such leads to downward pressures on sector profitability. On the other hand, banks reflect the anticipated losses in their credit placement process fully onto their interest margins in accordance with the principles of prudence, weakening the return on assets. The high level of non-interest expenses indicates that banks do not possess operational productivity.

The return on assets across the sector was 1.52% in FY2015. Return on equity ratio declined to 13.39% in the same period.

Profitability of the Turkish Banking Sector Indicators%	2015	2014	2013	2012	2011	2010	2009	2008
Interest Margin %	3.85	3.80	4.02	4.42	3.86	4.61	5.87	5.23
ROAA (%)	1.52	1.69	2.01	2.33	2.27	2.95	3.21	2.54
ROAE (%)	13.39	14.79	16.59	18.49	18.10	22.14	25.50	20.56
Net Profit Margin %	22.60	25.75	25.91	30.42	30.65	36.14	33.20	27.83
Provision expenses / T. revenues%	21.35	21.74	19.81	20.45	15.14	14.08	22.60	18.41

In spite of the increase in funding costs countrywide, the net interest margin generated by the Banking Sector has not currently been negatively impacted by such developments. However, provision expenses continue to cause negative pressure on banks' balance sheets.

Net interest income stands out as the main source of revenue while the sector experiences difficulties in diversifying revenue streams. The effects of provision expenses in the margins is greater compared to EU countries among the different components. Net interest income constitute 67.84% of total banking revenues in the sector. On the other hand, the ratio of non-interest expenses total revenues is lower than the levels observed in EU countries.

Two of the most important indicators of FX position in the sector, the ratios of **"Total Foreign Currency Position to Assets"** and **"Total Foreign Currency Position to Equity"**, had values of 0.16% and 1.48% as of FYE2015. Those ratios were below FYE2014 figures. As such, the effect of foreign currency position risk on the sector's revenue generating capacity is almost negligible. The short covering of foreign currency position via off balance sheet hedging methods has increased the roll-over and counterparty risks across the Turkish Banking Sector.

The Turkish Banking Sector hedges its balance sheet foreign currency short position with an off balance sheet foreign currency long position. The sector's foreign currency net general position has remained low for a relatively long period of time.

There is no liquidity deficit for balance sheet transactions across all maturities. The highest level of liquidity surplus was observed for the period of up to 7 days' maturity and on a yearly basis due to the effects of the increase in statutory reserves. On the contrary, all off-balance sheet transactions across different maturities are subject to liquidity deficit. However, the Turkish Banking System is in a liquidity surplus overall. Likewise, the sector operates with an asset liability composition that is highly liquid.

The Banking Sector financed 52.79% of its assets with deposits and participation funds as of FYE2015. Despite the creation of various tax incentives to raise the maturity of the funding structure since 2013, the average maturity of deposits reached 84.80 days in FYE2015, compared to 72.77 days in FYE2014.

63.67% of the total assets of the sector is formed by Leasing and loan receivables. 14.33% of total assets is constituted by debt securities, the largest share of which belongs to government bonds. While the share of debt securities across balance sheet items is in decline, the share of loans is rising.

In terms of risk management practices, the credit, market, and operational risks of the Turkish Banking System are measured in accordance with Basel internal methodologies and BRSA regulations. Independent rating agencies have not yet taken part in the measurement of these risks, especially credit risk. According to data compiled by the BRSA, 90.04% of total risks in the system are constituted by credit risk, followed by operational risks and market risks with shares of 7.23% and 2.73%, respectively. The aggregate monetary measure of risk across the system is TRY 1.97bn.

The share of equity to the overall asset size in the Sector was 13.17% in FYE2012 whilst the same ratio was 11.19% in FYE2013, having declined to 11.64% in FYE2014 and 11.12% in FYE2015. Participation banks had the lowest equity to total assets ratio. Since the share of equity was relatively high for participation banks, its contribution to capital adequacy ratio was limited.

While the reputation of the development and investment banks was damaged in developed markets due to their deteriorating equity and asset composition, the sector in Turkey maintains its appeal as it remains well-capitalized with a high equity ratio.

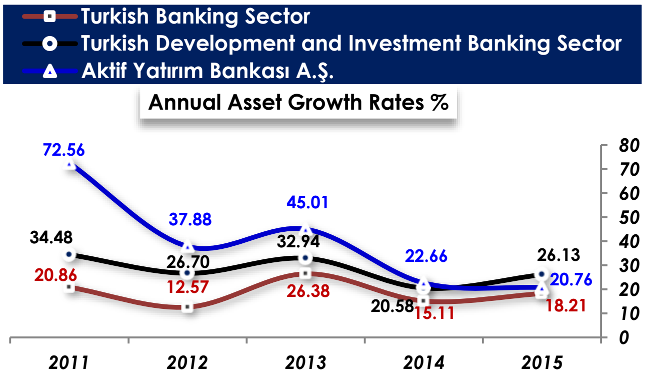
The Sector's Capital Adequacy Ratio (CAR) is calculated in accordance with Basel II regulations. The Sector's CAR has maintained a relatively high level over the years. The sector had a CAR of 15.56% as of FYE2015.

6. Financial Analysis

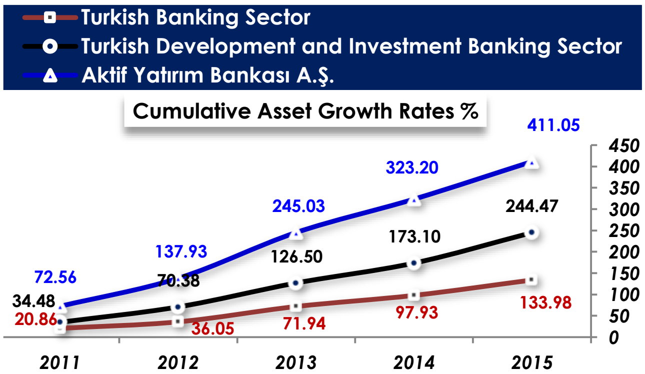
a. Financial Indicators and Performance

i. Indices Relating to Size

Aktif Bank completed FY2015 with an asset growth rate of 20.76%, slightly down from the previous year's figure of 22.66%. The graphs below display the growth of the Bank's asset base in comparison to those of the sectors. Up to FY2015, while the overall asset base growth performance of the Bank stayed well above the sectors' averages, it fell below the average growth performance of the Development and Investment Banking Sector in the last year.

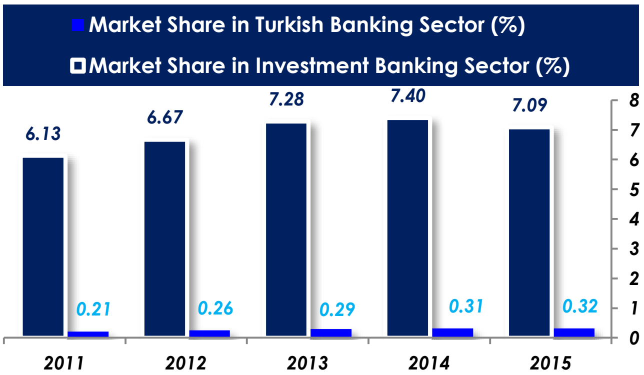


The Bank's cumulative asset base growth performance over the reviewed period stayed well above the sector averages and nearly triple that of the average cumulative growths of the Turkish Banking Sector and almost doubled that of the Development & Investment Banking Sector.



Aktif Bank's asset size market share in the Turkish Banking Sector demonstrated continuous growth and reached 0.32% in FY2015, while its market shares in the

Development & Investment Banks slightly contracted in FY2015 following a period of constant growth. Aktif Bank maintained its position as the 23rd largest bank in Turkey by asset size.

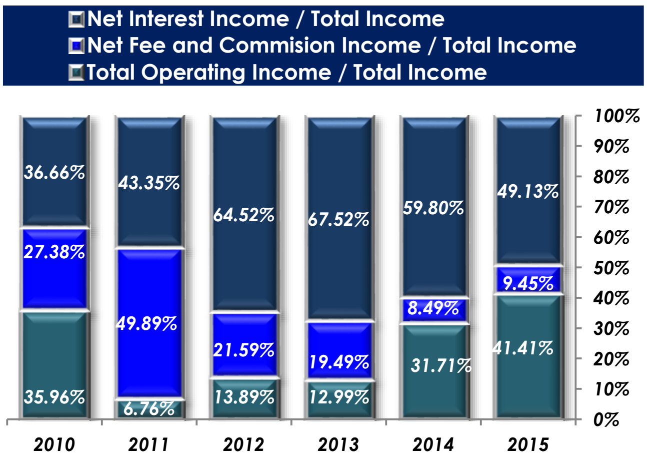


ii. Indices Relating to Profitability

According to the unconsolidated financial statements prepared in line with BRSA standards, Aktif Bank achieved a net profit of TRY 80.9mn in FY2015, almost flat compared to the previous year's net profit of TRY 80.8mn. In the same period, while the Investment Banks' net profit figure exhibited a growth of 14.08%, the entire sector's net profit enlarged by 5.66%. Considering the stated figures, Aktif Bank underperformed both the Development & Investment and the Turkish Banking Sector as a whole in FY2015.

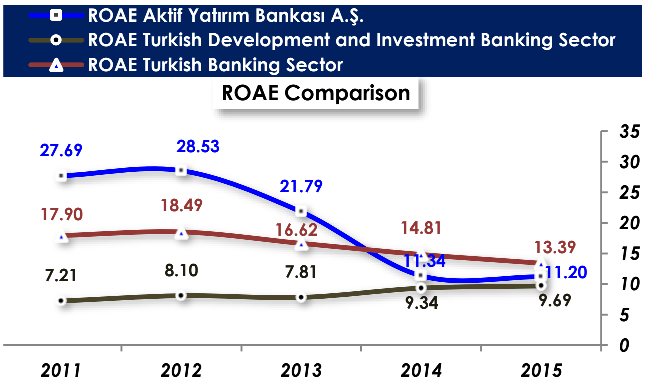
Regarding the IFRS-compliant consolidated financials, the Bank reported a TRY 52.1mn pre-tax profit at FYE2015, up from the TRY41.4mn at FYE2014. However, its net profit decreased to TRY 25.96mn from previous year's figure of TRY 33.73mn due to income tax expense effect.

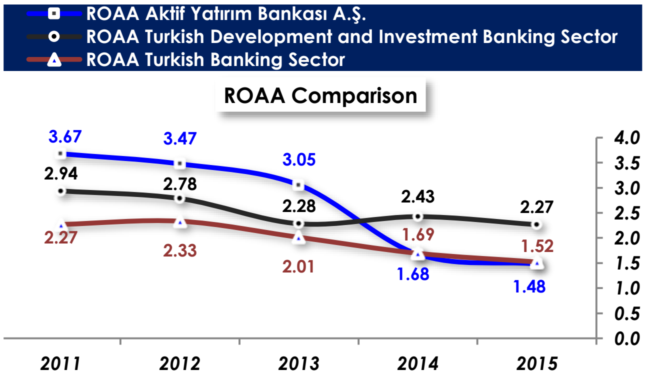
The Bank's income largely derived from net interest revenues, which accounted for 49.13% of total income in 2015 (FY2014: 59.80%), although its share continued to decrease. The Bank engendered 58.58% of its total income through interest and net fee & commission incomes, which are sustainable income streams.



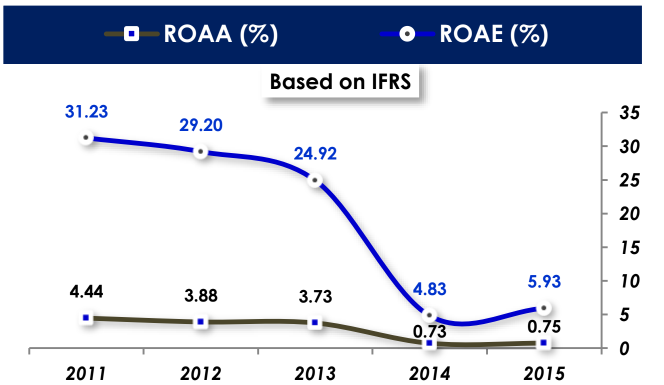
Regarding the net income (TRY 80.9mn) from operating segments, largest contribution made by Corporate and investment banking segments amounting TO TRY 506mn and 85mn respectively, while other banking segment reduced net income by TRY -504.7mn.

Indicators of ROAA and ROAE outperformed the Sector averages up to FY2013, after which the ratios demonstrated notably decreases in FY2014 and continued in FY2015 and underperformed the Turkish Banking Sector in the last two consecutive years. In the same period, deterioration in ROAA and ROAE ratios were experienced in the entire banking sector.

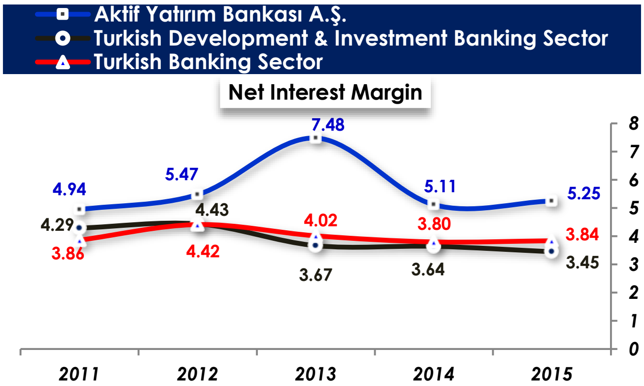




On the other hand, the Bank's return on assets and equity ratios exhibited an improvement in FY2015, according to the consolidated financial statements prepared in line with IFRS, representing fairly divergence compared to BRSA based unconsolidated figures.



At the end of FY2015, the net interest margin (NIM) ratio of the Bank slightly reversed to 5.25% from 5.11% FYE2014 and remained above both the Turkish Banking and the Development & Investment Banking sectors average levels. The high and above sector average NIM ratio specifies the bank's effectiveness and stronger returns in interest base incomes.

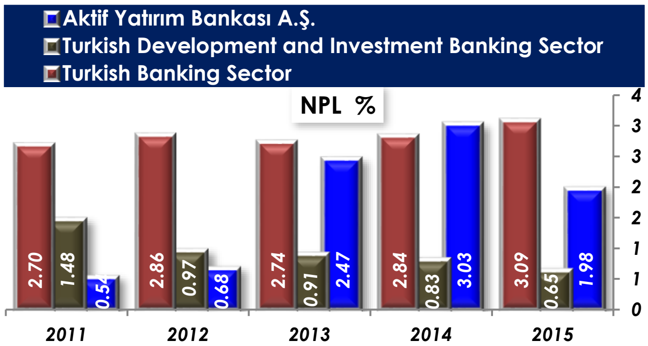


In the first quarter of the ongoing year, the Bank reported net profits of TRY 23.31mn, (1Q2015: TRY 10.45mn) exhibiting a notably increase with a rate of 123% over the previous year. Decrease in OPEX and increase in operating income supported net profit increase in the 1Q2016. In the same term, Turkish Banking and Development & Investment Banking Sectors' net profit figures demonstrated growths of 22.56% and 27.72%, respectively.

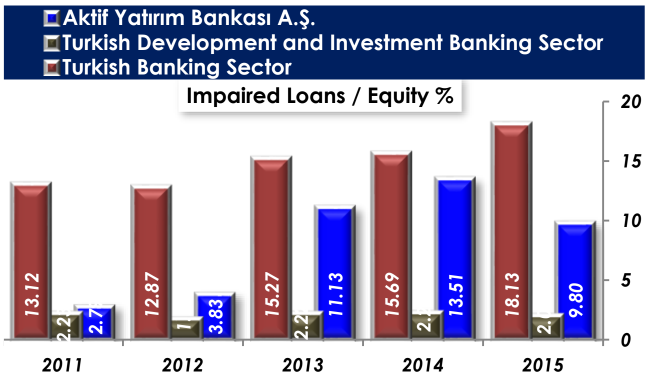
b. Asset Quality

The Bank's gross non-performing loans portfolio at the end of FY2015 decreased to TRY 92.2mn from TRY 120mn and NPLs ratio improved to 1.98% from 3.03% FYE2014 thanks to denominator effects of growing loans portfolio by 16.44% coupled with contraction of non-performing loan book. Enhancement in NPLs ratio bring the Bank below the Turkish Banking Sector average, though remained above the Development and Investment Banking Sectors. It must also be noted that the Bank did not sell or write-off any non-performing loans, despite the common practice in the sector of selling/writing-off of non-performing receivables in order to reduce NPL ratios. Regarding that the selling/writing off of non-performing loans amounted to nearly 19bn between the 2008 and 2014, the entire sector's NPLs ratio would be higher than 4.00%.

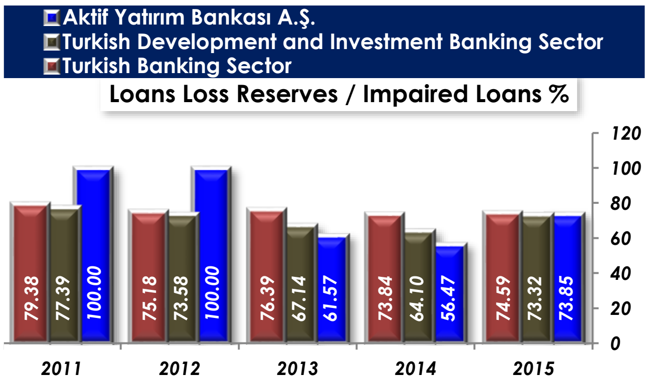
On the other hand, TRY 27.8mn was collected, which was previously classified in non-performing loans portfolio and accounted in other income in the income statement table in FY2015. Furthermore, TRY 69.9mn of assets, which was recognized in assets held for sale in the prior year, were transferred to other assets in FY2015. Aforementioned asset was capitalized through collateralized assets for some non-performing loans.



The non-performing loans portfolio of Aktif Bank as a proportion of its equity decreased to 9.80% at FYE2015 (FYE2014:13.51%) and remained lower than that of the Turkish Banking Sector throughout the reviewed period, while exceeding the Development & Investment Banking Sector average. Improvement in the ratio resulted from shrinkage of non-performing loan portfolio.



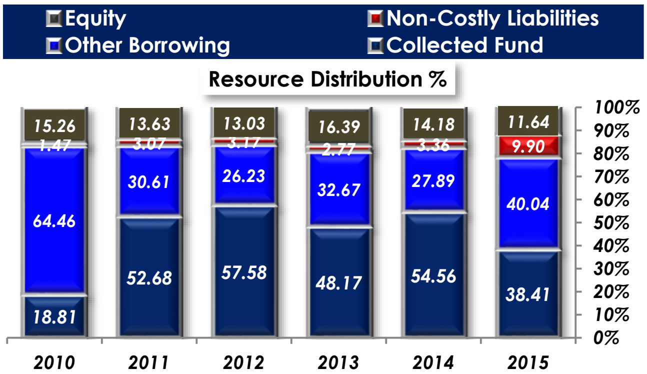
At FYE2015, the Bank's loan loss coverage ratio was 73.85% and increased from 56.47% at FYE2014. Accordingly, the ratio converged with both the Turkish Banking and Deposits & Investment Banking Sector averages.



For the ongoing year, we, as JCR Eurasia Rating, anticipate a steady upward trend in NPLs in the banking sector, due to upside risks via weakened TRY and downside risks to growth exerting pressure on profit margins and impacts on debt-servicing capabilities of the real sector further aggravated by the recent upward trend in bankruptcy postponements.

c. Funding and Adequacy of Capital

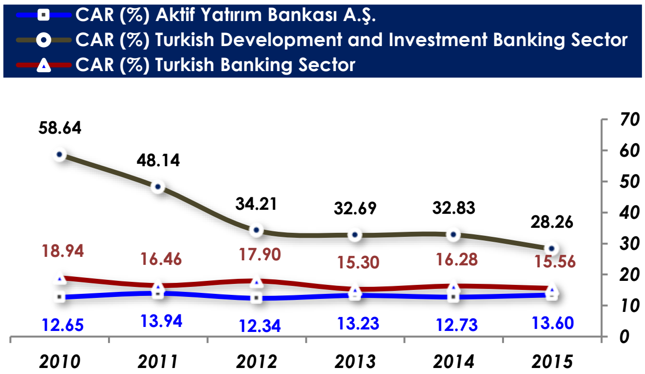
Aktif Bank, as an investment bank, is not entitled to collect customer deposits and therefore meets its funding needs through issued debt securities, borrowed funds from domestic & international institutions, current balances of its loan customers, equity and obligations under repurchase agreement. The Bank's collected fund, which embraces issued debt securities and current balances of loan customers, accounted for 38.41% of the total fund resources. Other borrowing consisting of bank loans and obligations under repurchase agreement formed 40.04% of total sources.



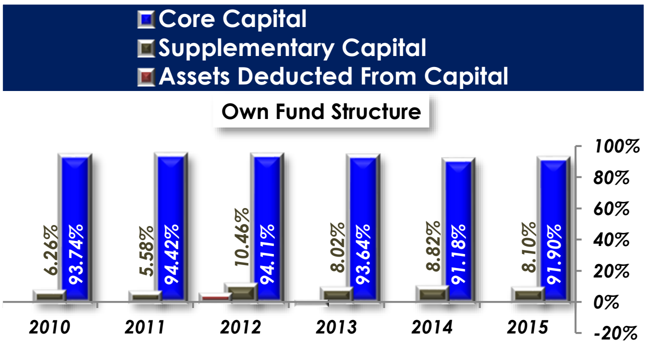
As in the previous year, significant portion of (48.52%) total liabilities were placed in up to one-month bracket that resulted in the very short term funding profile of the Bank placing pressure on liquidity management through renewal risks along with an increase in dependence on capital and money markets. Access to money and capital markets may come under pressure if the severity of tension in the operating environment worsens.

Aktif Bank's non-consolidated Capital Adequacy Ratio (CAR) was 13.60% at the end of FY2015, increased from 12.73% FY2014 and remained above the minimum CAR requirements set by the Basel Accord (8%) and the recommended level by the BRSA (12%). On the other hand, for the last six-year period this figure stayed below the averages of the Turkish Banking and the Development & Investment Banking Sectors. We, as JCR Eurasia Rating, assume that the current CAR ratio provides satisfactory capital to buffer potential incidental losses.

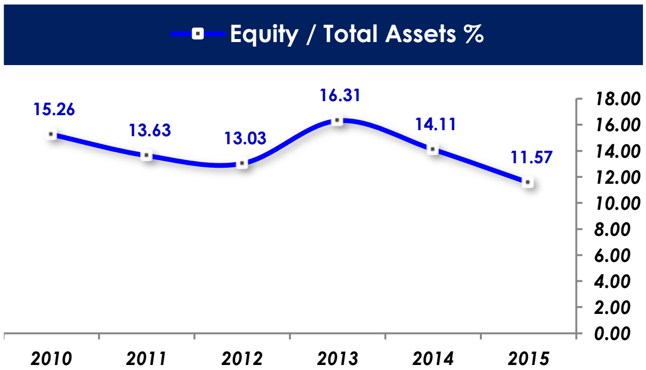
The Bank has also remained compliant with the minimum requirements of Common Equity Tier 1 Capital Ratio (4.5%) and Total Tier 1 Capital Ratio (6%) set by the BRSA effective from January 1, 2014 with realized figures of 13.13% and 12.50%, respectively.



The share of core capital, principally consisting of paid-up capital and retained earnings, accounted for 91.90% of the Bank's total own fund structure in 2015 (FY2014: 91.18%). Above ratios specify the Bank's lower reliance on Tier second capital, which is not considered to be loss absorbing.



Decrease in equity to assets ratio continued in FY2015 and the ratio fell to its lowest level of 11.57% during the reviewed period. The ratio of the Turkish Banking and Development & Investment Banking Sectors' were 11.12% and 22.02%, respectively.



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. In this sense, the Board is assisted by the Audit Committee, which is comprised of two Board Members. The Audit Committee, as a coordinator of Internal Systems, jointly administers the operations of the departments within the Bank's Internal Systems and monitors the efficiency and adequacy of it.

The Bank has set up **Credit, Corporate Governance and Remuneration Committees** under the **BoD** and also formed **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

The Bank's credit risk management policy is initially set on three pillars; customer selection, 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. As of FYE2015, tangible collaterals for cash (TRY 4,638mn) and non-cash loans (TRY 631.4mn) were only TRY 9mn and 15.9mn respectively. (FYE2014: TRY 227mn and 112.6mn).

Aktif Bank grades all cash and non-cash loans in three categories; low risk, medium risk and high risk through an in-house developed internal credit rating system. The Bank rated 73.81% of its gross cash loans as low risk, 25.53% at medium risk and 0.66% at high risk. Additionally, the Bank graded 83.19% of its non-cash loans as low risk, 14.50% as medium risk and 2.30% as high risk.

Aktif Bank granted 72.80% of its loan book as corporates and the remaining 27.20% was consumer loans. On the other hand, 46.32% (FY2014:50.41%) and 53.78% (FY2013: 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 FY2015, although the share of non-cash loans allocated to the Group Companies seemed to increase, it was also contracted in absolute term to TRY 339.5mn from 456.5mn FYE2014.

The Bank's (i) largest 100 cash loan customers composed 73.43% of the total cash loan portfolio as of FYE2015 (FYE2014: 68.73%), (ii) largest 100 non-cash loan customers composed 100% of the total non-cash loan portfolio as of FYE2015 (FYE2014: 100%).

c. Market Risk

In the scope of market risk, the Bank is principally exposed to the fluctuations in the interest rates and foreign currency risks. Overall authority for market risk is assigned in 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.

The Bank uses derivative instruments to hedge against foreign currency risk. As of FYE2015, the Bank's total foreign currency position to assets and equity ratios were 0.23% and 2.01%, respectively, and were compatible with the regulations.

The Bank executes and monitors its market risk activities 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 regulation. In addition to the 'Standard Method', Aktif 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 and risks are closely monitored.

d. Liquidity Risk

Aktif Bank executes its liquidity risk by maintaining the adequate 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. It is also noted that 48.52% the Bank's liabilities stood in the less than one-month maturity bracket. Although this very short term funding structure exerts pressure on liquidity, the management provides adequate funding sources through good access to financial markets and funding mix.

Within the framework of the 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 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.

The average Liquidity Coverage Ratios of Aktif Bank on a consolidated basis for FY2015 are displayed below:

Average LCRs FY2015 of Aktif Bank	Turkish Lira + Foreign Currency	Foreign Currency
Consolidated LCR*	133.14%	55.8%

*Liquidity coverage ratios have been calculated for the average of the last three months.

On the other hand, according to the decision of BRSA dated 24 December 2015 and number of 6613;

The Development and Investment Banks will;

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

Accordingly, the Bank's liquidity ratios were above the requirement levels and remained compliant with BRSA parameters in 2015.

It is also noted that investment securities which amounted to TRY 586.7mn are given as collateral for performing transaction at stock exchange and repurchase agreement while investment securities amounted to TRY 81.8mn are blocked for asset backed securitization funds. These transactions reduce the liquidity function of investment securities, which are deemed as liquid assets, and do not contribute to the liquidity management.

e. Operational, Legal, Regulatory & Other Risks

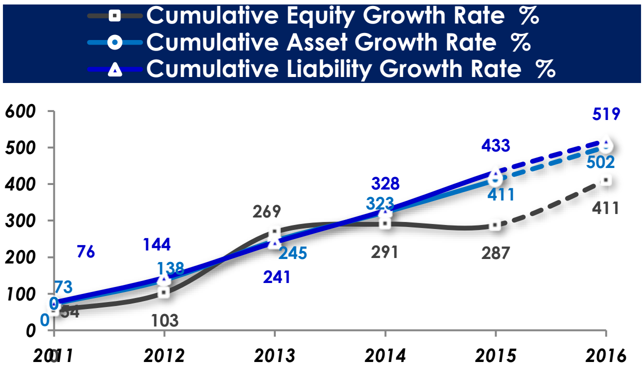
Operational risk is calculated by the "Basic Indicator Approach" as required by the "Communiqué on Measurement and Evaluation of Capital Adequacy of Banks". The Bank places importance on compliance with the regulations set by the authorities and changes to the legal framework. Aktif Bank has carried out its efforts to manage operational risks effectively. In this sense, the Bank implements human resources, network security, back-up and disaster recovery policies. 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.

Nevertheless, the Bank incurred a loss of TRY 182.2k in FY2015 due to fraudulent loan transactions and credit cards. Considering the size of the Bank, equity and transactions, the operational loss is considered to be negligible.

8. Budget & Debt Issue

a. Budget

Aktif Bank recorded growths of 20.87% and 24.44% in asset and liabilities respectively in FY2015 and surpassed the previously projected growth of 7.79% and 7.12% respectively in those fields. On the other, realized figures in equity and net profit of -0.86% and -23% respectively in FY2015 were remarkably stayed below the projected figures. Within the framework of projections and budgeting activities in FY2016, the Bank projected growths of17.88%, 16.15% and 31.80% in asset, liabilities and equity respectively. It is believed that the Bank's 2016 projections in asset and liabilities are consistent with its past performance and are achievable. However, projected equity increase is too optimistic unless a cash equity injection is made under the expected net profit of TRY 100mn.



Furthermore, the cumulative growth performance is expected to reach 502% in assets, 519% in liabilities and 411% in equity as of 31 December 2016.

b. Debt Issue

Since the first bank bond issue in 2009, Aktif Bank successfully settled unsecured bond issuances (Aktif Bono) reached TRY 17.1bn as of FYE2015%. Furthermore, the Bank's issued Asset Backed Securities (ABS) reached TRY1.8mn at the end of 2015. The Bank issued debt instruments through asset lease certificates (Sukuk) with a total amount of TRY 25mn in 2015 as an Islamic debt instrument to provide finance to projects that reached tTRY 325mn. The Bank has made payments of all issued bonds on their maturity date.

Issued debt instruments accounted for 39.24% share of total external resources of the Bank amounting to TRY 2.6bn as of December 31, 2015 and expected to reach to TRY 3.55bn as of FYE2016.

Aktif Yatırım Bankası A.Ş. BALANCE SHEET - ASSET (000)	FYE 2015 USD (Converted)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	FYE 2013 TRY (Average)	FYE 2012 TRY (Original)	As % of 2015 Assets (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	FYE 2015 Growth Rate %	FYE 2014 Growth Rate %	FYE 2013 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**2,302,275**	**6,694,096**	**5,860,282**	**5,026,467**	**4,665,999**	**4,305,531**	**3,629,884**	**2,954,236**	**88.59**	**80.40**	**84.28**	**33.18**	**16.74**	**45.74**
I- LOANS AND LEASING RECEIVABLES (net)	**1,595,220**	**4,638,261**	**4,310,777**	**3,983,292**	**3,780,581**	**3,577,869**	**2,972,215**	**2,366,560**	**61.38**	**63.71**	**70.04**	**16.44**	**11.33**	**51.18**
a) Short Term Loans	1,585,157	4,609,003	4,262,654	3,916,305	3,734,279	3,552,253	2,958,636	2,365,018	60.99	62.64	69.54	17.69	10.25	50.20
b) Lease Assets	0	0	0	0	0	0	771	1,542	n.a	n.a	n.a	n.a	n.a	-100.00
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	31,724	92,240	106,146	120,052	103,999	87,945	53,429	18,913	1.22	1.92	1.72	-23.17	36.51	365.00
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 (-)	-21,661	-62,982	-58,024	-53,065	-57,697	-62,329	-40,621	-18,913	-0.83	-0.85	-1.22	18.69	-14.86	229.56
II- OTHER EARNING ASSETS	**386,949**	**1,125,094**	**640,216**	**155,337**	**119,105**	**82,873**	**49,514**	**16,155**	**14.89**	**2.48**	**1.62**	**624.29**	**87.44**	**412.99**
a) Balance with Banks -Time Deposits	74,391	216,299	185,818	155,337	119,105	82,873	49,514	16,155	2.86	2.48	1.62	39.24	87.44	412.99
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	235,797	685,604	342,802	0	0	0	0	0	9.07	n.a	n.a	n.a	n.a	n.a
d) Balance with CB- Demand Deposits	76,761	223,191	111,596	0	0	0	0	0	2.95	n.a	n.a	n.a	n.a	n.a
III- SECURITIES AT FAIR VALUE THROUGH P/L	**320,106**	**930,741**	**909,290**	**887,838**	**766,314**	**644,789**	**608,155**	**571,521**	**12.32**	**14.20**	**12.62**	4.83	37.69	12.82
a) Treasury Bills and Government Bonds	276,466	803,853	791,899	779,944	712,367	644,789	608,155	571,521	10.64	12.48	12.62	3.07	20.96	12.82
b) Other Investment	43,640	126,888	117,391	107,894	53,947	0	0	0	1.68	1.73	n.a	17.60	n.a	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	**4,382**	**12,741**	**11,984**	**11,226**	**9,951**	**8,675**	**4,338**	**0**	**0.17**	**0.18**	**0.17**	**13.50**	**29.41**	**n.a**
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	4,382	12,741	11,984	11,226	9,951	8,675	4,338	0	0.17	0.18	0.17	13.50	29.41	n.a
C- NON-EARNING ASSETS	**292,273**	**849,812**	**1,031,973**	**1,214,134**	**1,004,214**	**794,294**	**678,827**	**563,359**	**11.25**	**19.42**	**15.55**	**-30.01**	**52.86**	**40.99**
a) Cash and Cash Equivalents	4,167	12,115	10,031	7,947	6,430	4,912	10,028	15,144	0.16	0.13	0.10	52.45	61.79	-67.56
b) Balance with Banks - Current Accounts	0	0	310,399	620,798	514,403	408,008	452,215	496,422	n.a	9.93	7.99	-100.00	52.15	-17.81
c) Financial Assets at Fair Value through P/L	3,189	9,271	6,761	4,251	5,250	6,248	5,487	4,726	0.12	0.07	0.12	118.09	-31.96	32.20
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	284,917	828,426	704,782	581,138	478,132	375,126	211,097	47,067	10.96	9.30	7.34	42.55	54.92	697.00
- Intangible Assets	42,796	124,434	114,038	103,641	81,901	60,160	39,874	19,588	1.65	1.66	1.18	20.06	72.28	207.13
- Property and Equipment	79,694	231,719	212,664	193,608	187,779	181,950	94,533	7,115	3.07	3.10	3.56	19.68	6.41	2,457.27
- Deferred Tax	2,421	7,039	9,657	12,275	8,697	5,118	4,616	4,113	0.09	0.20	0.10	-42.66	139.84	24.43
- Other	160,006	465,234	368,424	271,614	199,756	127,898	72,075	16,251	6.16	4.34	2.50	71.28	112.37	687.02
TOTAL ASSETS	**2,598,930**	**7,556,649**	**6,904,238**	**6,251,827**	**5,680,164**	**5,108,500**	**4,313,048**	**3,517,595**	**100.00**	**100.00**	**100.00**	**20.87**	**22.38**	**45.23**

Aktif Yatırım Bankası A.Ş. BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2015 USD (Converted)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	FYE 2013 TRY (Average)	FYE 2012 TRY (Original)	As % of 2015 Assets (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	FYE 2015 Growth Rate %	FYE 2014 Growth Rate %	FYE 2013 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**2,038,887**	**5,928,267**	**5,541,699**	**5,155,131**	**4,642,308**	**4,129,484**	**3,538,720**	**2,947,955**	**78.45**	**82.46**	**80.84**	**15.00**	**24.84**	**40.08**
I- DEPOSIT	**998,270**	**2,902,570**	**3,156,922**	**3,411,273**	**2,935,925**	**2,460,577**	**2,242,966**	**2,025,354**	**38.41**	**54.56**	**48.17**	**-14.91**	**38.64**	**21.49**
a) TL 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	998,270	2,902,570	3,156,922	3,411,273	2,935,925	2,460,577	2,242,966	2,025,354	38.41	54.56	48.17	-14.91	38.64	21.49
II- BORROWING FUNDING LOANS & OTHER	**1,040,617**	**3,025,697**	**2,384,778**	**1,743,858**	**1,706,383**	**1,668,907**	**1,295,754**	**922,601**	**40.04**	**27.89**	**32.67**	**73.51**	**4.49**	**80.89**
a) Borrowing from Domestic Market	128,302	373,050	294,458	215,865	356,899	497,932	311,897	125,862	4.94	3.45	9.75	72.82	-56.65	295.62
b) Borrowing from Overseas Markets	734,329	2,135,135	1,714,614	1,294,093	947,218	600,342	499,248	398,153	28.26	20.70	11.75	64.99	115.56	50.78
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	164,406	478,027	335,852	193,677	366,041	538,404	468,495	398,586	6.33	3.10	10.54	146.82	-64.03	35.08
e) Subordinated Loans & Others	13,580	39,485	39,854	40,223	36,226	32,229	16,115	0	0.52	0.64	0.63	-1.83	24.80	n.a
B- NON-COST BEARING RESOURCES	**257,417**	**748,467**	**479,280**	**210,092**	**175,805**	**141,518**	**126,433**	**111,348**	**9.90**	**3.36**	**2.77**	**256.26**	**48.46**	**27.10**
a) Provisions	12,723	36,992	33,488	29,983	42,019	54,054	47,118	40,182	0.49	0.48	1.06	23.38	-44.53	34.52
b) Current & Deferred Tax Liabilities	3,581	10,412	10,148	9,883	9,337	8,791	8,995	9,199	0.14	0.16	0.17	5.35	12.42	-4.44
c) Trading Liabilities (Derivatives)	48,214	140,188	88,892	37,595	28,993	20,390	11,817	3,244	1.86	0.60	0.40	272.89	84.38	528.55
d) Other Liabilities	192,900	560,875	346,753	132,631	95,457	58,283	58,503	58,723	7.42	2.12	1.14	322.88	127.56	-0.75
C- TOTAL LIABILITIES	**2,296,304**	**6,676,734**	**6,020,979**	**5,365,223**	**4,818,113**	**4,271,002**	**3,665,153**	**3,059,303**	**88.36**	**85.82**	**83.61**	**24.44**	**25.62**	**39.61**
D- MINORITY INTEREST	**1,830**	**5,321**	**4,889**	**4,457**	4,445	**4,432**	**2,216**	**0**	**0.07**	**0.07**	**0.09**	**19.39**	**0.56**	**n.a**
E- EQUITY	**300,796**	**874,594**	**878,371**	**882,147**	**857,607**	**833,066**	**645,679**	**458,292**	**11.57**	**14.11**	**16.31**	**-0.86**	**5.89**	**81.78**
a) Prior Year's Equity	304,926	886,604	862,051	837,498	647,895	458,292	403,171	348,049	11.73	13.40	8.97	5.86	82.74	31.67
b) Equity (Added from Internal & External Resources at This Year)	-13,061	-37,977	-13,527	10,924	130,579	250,234	132,717	15,199	-0.50	0.17	4.90	-447.65	-95.63	1,546.38
c) Profit & Loss	8,931	25,967	29,846	33,725	79,133	124,540	109,792	95,044	0.34	0.54	2.44	-23.00	-72.92	31.03
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,598,930**	**7,556,649**	**6,904,238**	**6,251,827**	**5,680,164**	**5,108,500**	**4,313,048**	**3,517,595**	**100.00**	**100.00**	**100.00**	**20.87**	**22.38**	**45.23**
	USD Rates 1=TRY	**2.9076**		**2.3189**		**2.1304**		**1.7776**						

Aktif Yatırım Bankası A.Ş. INCOME STATEMENT (000) TRY	FY 2015	FY 2014	FY 2013
Net Interest Income	**307,398.00**	**238,622.00**	**271,512.00**
a) Interest Income	690,729.00	560,976.00	515,006.00
b) Interest Expense	383,331.00	322,354.00	243,494.00
Net Fee and Commission Income	**59,148.00**	**33,863.00**	**78,390.00**
a) Fee and Commission Income	91,818.00	58,098.00	98,183.00
b) Fee and Commission Expense	32,670.00	24,235.00	19,793.00
Total Operating Income	**259,101.00**	**126,553.00**	**52,223.00**
Net Trading Income/Loss (+/-)	-3,932.00	-10,654.00	-8,632.00
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	261,393.00	136,512.00	60,855.00
Taxes other than Income	0.00	0.00	0.00
Dividend	1,640.00	695.00	0.00
Provisions	**25,087.00**	**0.00**	**50,416.00**
Provision for Impairment of Loan and Trade Receivables	10,087.00	0.00	43,416.00
Other Provision	15,000.00	0.00	7,000.00
Total Operating Expense	**548,440.00**	**357,599.00**	**190,797.00**
Salaries and Employee Benefits	168,629.00	125,888.00	88,995.00
Depreciation and Amortization	32,190.00	17,034.00	12,682.00
Other Expenses	347,621.00	214,677.00	89,120.00
Profit from Operating Activities before Income Tax	**52,120.00**	**41,439.00**	**160,912.00**
Income Tax – Current	26,153.00	7,714.00	36,372.00
Income Tax – Deferred	0.00	0.00	0.00
Net Profit for the Period	**25,967.00**	**33,725.00**	**124,540.00**

Aktif Yatırım Bankası A.Ş. FINANCIAL RATIOS %	FY 2015	FY 2014	FY 2013
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pre-tax Profit / Total Assets (avg.)	0.75	0.73	3.73
2. ROAE - Pre-tax Profit / Equity (avg.)	5.93	4.83	24.92
3. Total Income / Equity (avg.)	71.68	47.77	63.62
4. Total income / Total Assets (avg.)	9.12	7.21	9.52
5. Provisions / Total Income	3.98	0.00	12.27
6. Total Expense / Total Liabilities (avg.)	9.17	7.64	5.44
7. Net Profit for the Period / Total Assets (avg.)	0.38	0.59	2.89
8. Total Income / Total Expenses	113.98	111.25	205.97
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	10.23	-1.95	3.53
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	-1.34	-16.06	-12.78
11. Total Operating Expenses / Total Income	87.11	87.28	46.45
12. Net Interest Margin	5.25	5.11	7.48
13. Operating ROAA (avg.)	6.31	6.40	9.38
14. Operating ROAE (avg.)	49.57	42.42	62.63
15. Interest Coverage – EBIT / Interest Expenses	113.60	112.86	166.08
16. Net Profit Margin	4.12	8.23	30.32
17. Gross Profit Margin	8.28	10.11	39.17
18. Market Share in Turkish Development and Investment Banking Sector	7.09	7.40	7.28
19. Market Share in Entire Banking System	0.32	0.31	0.29
20. Growth Rate	20.87	22.38	45.23
II. CAPITAL ADEQUACY (year-end)			
1. Equity Generation / Prior Year's Equity	-4.28	1.30	54.60
2. Internal Equity Generation / Previous Year's Equity	2.93	4.03	27.17
3. Equity / Total Assets	11.57	14.11	16.31
4. Core Capital / Total Assets	11.39	12.76	15.37
5. Supplementary Capital / Total Assets	1.00	1.23	1.32
6. Tier 1 Capital Ratio	12.50	11.61	12.39
7. Capital / Total Assets	12.39	13.99	16.69
8. Own Fund / Total Assets	12.39	13.99	16.41
9. Standard Capital Adequacy Ratio	13.60	12.73	13.23
10. Surplus Own Fund	41.17	37.15	39.54
11. Free Equity / Total Assets	6.69	9.18	11.40
12. Equity / Total Guarantees and Commitments + Equity	13.69	14.44	18.19
III. LIQUIDITY (year-end)			
1. Liquidity Management Success (On Demand)	97.53	98.02	97.07
2. Liquidity Management Success (Up to 1 Month)	97.24	98.19	99.32
3. Liquidity Management Success (1 to 3 Months)	87.90	88.14	97.55
4. Liquidity Management Success (3 to 6 Months)	98.64	96.04	98.77
5. Liquidity Management Success (6 to 12 Months)	98.64	96.04	98.77
6. Liquidity Management Success (Over 1 Year & Unallocated)	90.91	92.28	91.49
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	1.34	1.31	1.71
2. Total Provisions / Profit Before Provision and Tax	32.49	0.00	23.86
3. Impaired Loans / Gross Loans	1.96	2.97	2.42
4. Impaired Loans / Equity	10.55	13.61	10.56
5. Loss Reserves for Loans / Impaired Loans	68.28	44.20	70.87
6. Total FX Position / Total Assets	0.23	0.13	0.64
7. Total FX Position / Equity	2.01	0.92	3.93
8. Assets / Total Guarantees and Commitments + Assets	57.81	54.47	57.69

The Previous Rating Results Issued by JCR Eurasia Rating

aktif bank			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	