JCR Eurasia Rating
"Global Knowledge Supported by Local Experience"

TURKEY

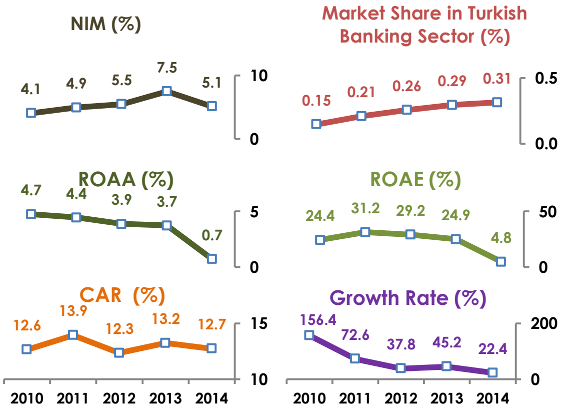
Corporate Credit Rating
(Update)

Banking

aktif bank			Long-Term	Short-Term
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB-	A-3
	Outlook		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	-

* Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

Senior Analyst: Şevket **GÜLEÇ**/ +90 212 352 56 73
sevketg@jcrer.com.tr



AKTIF YATIRIM BANKASI A.Ş.					
Financial Data	**2014***	**2013***	**2012***	**2011***	**2010***
Total Assets (USD mn)	2,696	2,398	1,979	1,351	962
Total Assets (TRY mn)	6,252	5,109	3,518	2,553	1,479
Total Net Loans (TRY mn)	3,983	3,578	2,367	1,678	727
Equity (TRY mn)	882	833	458	348	226
Net Profit (TRY mn)	34	125	95	66	44
Market Share (%) **	7.40	7.28	6.67	6.13	4.78
ROAA (%)	0.73	3.73	3.88	4.44	4.74
ROAE (%)	4.83	24.92	29.20	31.23	24.41
Equity/Assets (%)	14.11	16.31	13.03	13.63	15.26
Capital Adequacy Ratio (%)	12.73	13.23	12.34	13.94	12.65
Asset Growth Rate (Annual) (%)	22.38	45.23	37.79	72.56	156.37

*** End of year ** On solo basis among the Development and Investments 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 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 784 as of FY2014. In addition to the conventional services stream offered through the branch network, Aktif Bank has the largest alternative delivery channel network in Turkey with thousands of touch points including 4,700 PTT offices and 2,894 dealers, call center, ATMs and mobile and internet banking facilities.

In FY2014, a tapering interest margin, contractions in net fee and commission income and an increase in operating expenses led to the erosion of profit and profitability ratios and the underperformance of return on asset and equity figures as compared to the sector, despite the Bank's sound asset growth performance. Deterioration in IFRS based consolidated profit figures were more severe compared to the solo based profit figures compliant with Banking Regulation and Supervision Authority standards. While the Bank's net consolidated profit reached TRY 34mn, solo net profit was remarkably different at TRY 80mn. On the other hand, reversal of the general provision of TRY 27mn, of the previous year contributed to the profit level of the Bank.

Aktif Bank, Turkey's largest privately owned Investment Bank, was ranked 23rd among 47 banking institutions at the end of 2014. Although Aktif Bank is not entitled to receive deposits, it has accomplished its robust growth performance through funding from issued bank bonds, assets backed securities, sukuk certificates and its own internal resources.

Strengths

- Continuous increase in market share across both the Turkish Banking Sector as a whole and the Development & Investment Banking Sector through solid asset growth performance
- Continuous profit throughout the reviewed period contributing to the capital base
- Effective use of alternative delivery channels associated with innovative products providing a competitive advantage in the market
- Existence of entrepreneurial-oriented management structure with established track record in the financial services industry
- Proven strength of diversifying fund sources through issued bank bonds, asset based securities and Sukuk
- Capital strength, healthy loan book and low penetration of the Turkish Financial System promising further sectorial growth
- Satisfactory internal resource generation capacity with recurring revenue streams and profit retention policy
- Wide range of business mix through subsidiaries expected to make a greater contribution in the upcoming period

Constraints

- Remarkable contraction in net interest margin stemming from substantial growth in interest expenses
- Exceptional increase in OPEX, primarily due to new investments in retail products undertaken by the bank in 2014, rolling back the profit level
- Maturity mismatch of assets and liabilities prevalent in the sector exercising pressure on liquidity management
- Dependence on capital and money markets to sustain high growth rates through external funding resources which, in case of a sudden deterioration in market conditions, bears the risk of limiting access to money and capital markets, triggering liquidity concerns
- Possible pressure of upside risks via weakened TRY along with downside risks to growth in economic activities on profit margins due to deteriorating asset quality through weakened debt-servicing capabilities of the real sector
- Attained high credit risk concentration among the top 20 cash and non-cash loans customers
- Decrease in CAR despite maintenance of legal requirements, coupled with growing NPLs
- Sizeable share of cash and non-cash loans extended to the group companies

Publication Date: June 02, 2015 *"Global Knowledge supported by Local Experience"*

1. Rating Rationale

Aktif Bank's credit rating process is a comprehensive assessment of the Bank's financial performance measured in terms of asset growth, returns on equity and assets, adequacy of capital and liquidity, funding profile, asset quality, credit risk concentration, efficiency, risk management practices, wide alternative delivery channel networks, pioneering position with respect to innovative products, market shares and compliance level with corporate governance principles along with growth strategy. In this sense, the rating process is reflected as a systematic evaluation which involves quantitative and qualitative analysis of the Bank.

JCR Eurasia Rating has affirmed Aktif Bank's National Local Rating Notes of **'AA'** in the long term, which donates 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 also been affirmed as **"BBB-"**.

This assignment is primarily based on Aktif Bank's consolidated independent audit report prepared in line with 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.

The Major Rating Drivers are:

Weakening Profitability Figures Resulting in below Turkish Banking and Investment Banking Sector Averages

FY2014 profitability indicators of the Turkish Banking Sector continued their descending trend in contrast to the increase of the Development and Investment Banking Sector's indicators. At the end of FY2014, Aktif Bank's net profit and core profitability ratios, the return on assets and equity ratios, demonstrated remarkable decreases due to tapering interest margin and contraction of net fee and commission income.

Regarding return on assets, the Bank underperformed the sector averages. 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 in 2014.

Based on consolidated IFRS base reporting standards, Aktif Bank recorded a net profit of TRY 33.7mn, down TRY 90.8mn from the previous year's TRY124.5mn, while it gained TRY 80.7mn (FY2013:93.8mn) net profit according to the solo basis financials. Reversal of general provision amounting to TRY 27mn, which was provisioned in the previous year in line with the management cautiousness policy, and the cancellation of individual and collective provisions contributed to the Bank's net profit.

Despite Attained Solid Assets Growth Performance Outstripped the Sector Averages, Underperformed Loan, Profit and Equity Growth

The Bank has achieved to linger its prosperous assets base growth performance in 2014 with a rate of 22.38% and outperformed the Turkish and Development & Investments Banking sectors 15.12% and 20.58% respectively. On the other hand, the Bank was separated in negative way particularly in profit from the sectors, in which tapered by 13.93% yoy. The net profit of the Turkish Baking sector stayed almost flat, while Development Banking Sector's increased by 36.30% ın the same period. Regarding IFRS based net profit figure, reduction was more severe with a rate of 72.92% in FY2014. Additionally, loan and equity growth of the Bank stayed below the sector averages.

Leading Privately-Owned Investment Bank

Throughout the reviewed period, the Bank's asset size market share exhibited continuous growth and achieved a 0.31% share of the entire Turkish Banking Sector and 7.40% of the Development & Investment Banking Sector. The cumulative growth of the Bank was nearly seven times that of the Turkish Banking and 4.6 times that of the Development & Investment Banking Sectors' growth in asset size on a TRY basis over the last five-year period. Thanks to its impressive growth performance, compound annual growth rate was 61.05% between 2009 and 2014 and the bank was ranked 23rd among 47 banking institutions at the end of FY2014. Aktif Bank is the largest privately owned investment bank with an asset size of over TRY 6,250mn as of FYE2014.

Short Term Funding Base Stresses on Liquidity Management

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 2014, 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 compliance with BRSA requirements, the Bank's liquidity levels are monitored closely and satisfied threshold levels with no violations observed in 2014.

Despite a Remarkable Decrease, Solid NIM remains to be a Competitive Edge

Aktif Bank retained its higher net interest margin compared to the sector averages in 2014, despite a notable reduction. As of December 31, 2014, the Bank's net interest margin was 5.11%, (FY2013: 7.48%) while those of the Turkish Banking and Investment and Development Banking sectors were 3.80% and 3.64%, respectively. Although decreases in NIM ratios of the Banking Sectors were observed, the decline in the Bank's ratio was more severe. Nonetheless, the high and above sector average NIM ratio specifies the bank effectiveness.

Moderate Capitalization Level Despite Fairly Lower than Sectors Averages

Aktif Bank's non-consolidated capital adequacy ratio was 12.73% at the end of FY2014, down from the previous year's 13.23%, and presented below the sectors average levels for the last five year period. On the other hand, this ratio 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 and performed well above 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. In the same period, the Turkish Banking and Development & Investment Banking Sectors' CAR figures displayed a slight increase to 16.28% from 15.30% and to 32.83% from 32.69%, respectively. Consequently, we, as JCR Eurasia Rating, assume that the current level of capitalization has the buffer against incidental loan loss.

Attained Abating Asset Quality

In 2014, the Bank's non-performing loans ratio was 3.03% (FY2013: 2.47%), up 56 basis points compared to the previous year, while the Turkish and Development & Investment Banking sector ratios materialized at 2.84% and 0.83%, respectively (FY2013: 2.74% and 0.91%). In the same course, Aktif Bank's non-performing loan portfolio exhibited an increase of 36.51% in absolute terms, despite the growth in the outstanding loans portfolio of 11.33%. The solid increase in non-performing loans in the last two consecutive years brought the Bank's NPLs level over the sector average. It is also noted that the Bank did not sell and/or write-off any impaired loans as opposed to other players in the sector.

The Bank's specific loan loss reserves covered 56.47% of non-performing loans at the end of FY2014 and fell below the sectors averages.

According to the unconsolidated financial statements prepared in line with BRSA standards, 40.6mn in loans were placed under follow-up (in addition to TRY 120mn non-performing loans portfolio) and loan payment plans of TRY 337mn 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 assets quality and return on loans.

Consequently, the lower provisioning contributes to the Bank's profit level while weakening asset quality.

Attained High Credit Risk Concentration

Aktif Bank extended 64.37% of its assets as loans, which were distributed among corporate and consumers customers at rates of 68.72% and 31.28%, respectively. The Bank's largest 20 corporate customers constituted 99.35% (FY2013: 99.38%) of the total corporate cash outstanding loans and 96.13% (FY2013: 94%) of total non-cash loans, representing very high concentrations. On the other hand, 50.41% and 45.49% of the Bank's cash and non-cash loans were directly or indirectly given to Group companies, respectively.

Instability in the Region and Modest Operational Environment with Rising Uncertainties

Ongoing tensions in international and domestic politics coupled with unrest in some bordering countries including Iraq and Syria and uncertainties of the upcoming election in June, 2015 heightened the concerns.

Deceleration in economic activities and persistence of that resistance to growth along with upside risks via a weakened TRY and lethargic policy responses pressure profit margins and deteriorate asset quality through weakened debt-servicing capabilities of the real sector. Additionally, a decrease in investors' risk appetites, BRSA's implemented restrictive regulations on credit expansion and regulation on fees and commissions in FY2014 might continue to limit sector and Bank growth and profitability levels.

The Effective Use of Alternative Delivery Channels and Innovative Product Range

The Bank has the largest alternative delivery network outside of the branch network and offers a wide range of products and services via thousands of touch points.

Within the scope of e-tickets, the Bank cooperated with Turkey Football Federation and provided over 700k Passolig cards authorizing the safe and easy entrance football fans into stadiums. Passolig cards are also advance fun cards providing advantages to its users for shopping and transportations.

In the context of a business model "N Kolay", the Bank has reached a monthly transaction volume of 2.5mn in 81 provinces of Turkey through nearly 5,000 service points, which enable payments from bill, insurance, transportation card, GSM per installation, 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 a "**Stable**" outlooks on the short and long term national and international ratings perspective of Aktif Bank, considering the Bank's adequate capitalization level which is above the legal and targeted boundaries, growing market shares, risk appetites and management, assets composition, resilient return power, broader net interest margin and business mix, growth forecasts, as well as positive growth prospects in the Turkish economy under arising worrisome circumstances stemming from political headwind through upcoming general election and unrest in bordering countries.

Deceleration in economic activities, continuity of tapering profit margins and deterioration in asset quality through an increase in NPLs resulting from weakened debt-servicing capabilities of the real sector underpinned by downside risk to growth and weakened TRY, difficulties in funding resources along with contingency of international politics pertaining to Turkey's neighboring countries and the endurance of geopolitical risks in Turkey are possible drivers forcing a negative rating outlook and depressed rating notes. On the other hand, increase in capital strength via cash equity injection, improvements in profitability ratios and assets quality, diversifying funding mix and extending maturity profile, continuity of recovery in the global economy and management of additional risks combined with the growth of the Bank are substantial factors that may be taken into consideration for any future positive changes in ratings and outlook status.

3. Sponsor Support and Stand-Alone Assessment

Aktif Bank's Sponsor Support Note has been determined by taking into account the financial strength and support willingness of the main shareholder Çalık Holding A.Ş., one of Turkey's most prominent conglomerates. The Holding, through its 71 subsidiaries, 9 affiliates, 8 joint ventures and 1 joint operation, presently operates in 13 countries on 3 continents in 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, 2014, the Group's consolidated financial figures in asset size, revenue, equity and net profit were USD 7,498mn, 2,590mn, 564mn and 340mn, respectively, with 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 his 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. Regarding the above factors, JCR Eurasia Rating has assigned the Bank's Sponsor Support Note as "2", denoting adequate external support.

The Stand Alone Note of the Bank has been affirmed as **"AB"** considering its own 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 established 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 as Aktif Yatırım Bankası A.Ş. While the corporate, retail, investment and regional banking constitute the axis of Aktif Bank's operation, the Bank also offers financial leasing, factoring, trade finance and consulting services along with insurance and collections through its subsidiaries.

b. Organization & Employees

Aktif Bank's organizational structure is formed according to function under Treasury, Retail Banking, Corporate Banking, Financial Institutions, Credit & Risk, Finance, Corporate Finance & Investments and Information Technologies & Operations groups.

The Bank's Board of Directors is comprised of six members. The senior management team of the Bank is composed of the General Manager, six executive vice presidents and two managing directors. These managers are highly educated in their respective fields and have relevant prior work experience making them highly competent to manage the affairs of the Bank. These managers meet all the requirements set by the Banking Regulation and Supervisory Authority (BRSA). Credit, Audit, Remuneration and Corporate Governance committees have been established under the Board.

As of December 31, 2014, Aktif Bank employed a staff force of 784 (FY2013: 623). In addition to the conventional services stream offered through the eight branches, the Bank enjoys the largest alternative delivery network through thousands of touch points including 4,700 PTT offices and 2,894 dealers, call centers, ATMs and mobile and internet banking facilities.

c. Shareholders, Subsidiaries & Affiliates

The table below designates the detailed shareholding structure of the Bank. Çalık Holding A.Ş., the qualified shareholder of Aktif Bank, holds 99.42% of shares.

Shareholders	2012	2013	2014
	Share %		Share %
Çalık Holding A.Ş.	98.99	99.42	99.42
GAP Güneydoğu Tekstil Sanayi ve Tic.A.Ş.	0.53	0.30	0.30
Ahmet ÇALIK	0.24	0.14	0.14
Başak Enerji Elektrik Üretim San.ve Tic.A.Ş.	0.12	0.07	0.07
Irmak Enerji Elektrik Üretim Madencilik San.ve Tic.A.Ş.	0.12	0.07	0.07
Total	100.00	100.00	100.00
Paid Capital-TRY	230,000,000	697,085,000	697,085,000

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 %	
			2013	2014
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 İşyeri A.Ş.	Turkey	Payment System	-	99.27
UPT Para Transfer ve Ödeme Hizmetleri A.Ş.	Turkey	Payment System	-	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
Shoop A.Ş.	Turkey	Entrepreneurship	-	39.71
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
Euroasian Leasing Company	Tatarstan		-	25.00

d. Corporate Governance

As the Bank is not publicly listed, it does not have an obligation 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 and BRSA regulations. The Bank has committed to complying with corporate governance principles and the Communiqué on Corporate Governance Principles of Banks' published by the BRSA on November 1, 2006. Aktif Bank has set up Audit, Corporate and Remuneration committees, and disclosed its mission, vision, values, periodic financials, annual reports and ethical rules pursuant with the Communiqué.

The Bank provides information and documentation through its web page and Public Disclosure Platform. The Articles of Association, 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 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 frame work, and the absence of disclosure and social responsibility polices.

The Bank's Board is composed of six 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.

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

e. The Company & its Group Strategies

The Bank identified its core competencies and opportunities for growth in each of its business segment and business functions. In this regard, Aktifbank continue to focus 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

Aktifbank 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.

In line with the efforts to achieve minimum operational expenses and errors, the Bank continues to pursue centralization of processes. Moreover, the decision support systems and market-sensitive credit evaluation models are expected to become more sophisticated and facilitate credit allocation decisions.

The Bank's investments in direct and alternative delivery channels have pressurized the profitability indicators in 2014. However, these investments are expected to pay off in the upcoming periods.

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 – the latter operating 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 USD857bn (TRY1,994bn) as of FYE2014.

In aggregate terms, the profitability performance of the Turkish Banking Sector throughout FY2014 resembled that of FY2013 and as such recorded a fall. The macro-economic measures that have been taken for credit cards and vehicle loans in particular to slow down the growth in the current account deficit have brought about changes and difficulties in the sector's business models and competitiveness.

The Turkish Banking Sector possesses the necessary fiscal strength to lend support to economic activity and growth and maintains its capability to reach external resources and further prolong this capacity. The monetary tightening regime pursued by the Federal Reserve (FED) will raise the international cost of borrowing for the sector. However, the domination of international funding of the Turkish Banks by the European Banks will help to limit such increases. In addition, the loose monetary policies adopted by the European Central Bank will contribute to the funding costs of the Turkish Banking Sector.

Turkish Banking Sector manages its pricing policies and balance sheet mechanisms in line with international risk parameters. The interest of the state sponsored banks in participation banking will provide the sector with additional external fund markets.

The Turkish Banking Sector currently has high levels of return on assets, with high net interest margins and exhibits an upward trend in non-interest income. Despite the relatively low asset size, high level of profitability, large share of deposits, high non-interest expenses and capitalization levels, inflation and real growth rates were the major factors that helped to maintain its performance throughout FY2014. It is anticipated that the sector will preserve its growth momentum for a long period. The sector's capability to create resources other than deposits which began in FY2012 accelerated throughout FY2014.

The number of banks operating in the sector increased to 51 as of FY2014, up from 49 in FY2013. Sizable levels of investment in internet banking, ATM and POS systems are maintained in order to ensure greater access to banking services with further effectiveness. The level of assets, loans and deposit concentration across the sector is quite significant. As such, in all of the three mentioned fields, the total market share of the five largest banks was approximately 60%. The highest levels of concentration are observed in the fields of deposits, loans and profitability, respectively.

DECEMBER, 2014 TURKISH BANKING SECTOR	NUMBER OF BANKS	NUMBER OF BRANCHES	NUMBER OF STAFF
DEPOSIT BANKS	**34**	**11,182**	**195,354**
• State Banks	3	3,500	55,851
• Private Banks	11	5,455	95,838
• SDIF Bank	1	1	227
• Foreign Banks	19	2,226	43,438
DEVELOPMENT & INVESTMENT BANKS	**13**	**41**	**5,524**
PARTICIPATION BANKS	**4**	**990**	**16,270**
TOTAL	**51**	**12,213**	**217,148**

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

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.

The Banking Sector is one of the industries with the highest levels of exposure to national and international regulations, constantly evolving customer demands, developing technologies, and changes in political structure and society. 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.

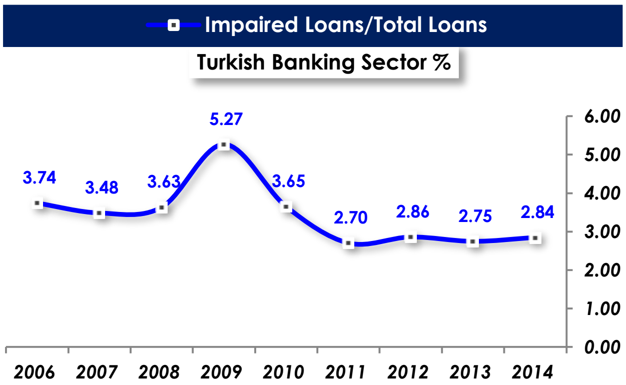
The Turkish Banking Sector, with an infrastructure shaped according to the needs of innovative and sustainable loans, deposit customers and investors, possesses a dynamic structure in product and service offering. The robust capital structure and the deepening of capital markets will continue to confer competitive advantages across the sector in the field of deposit collection and domestic and international fund raising throughout FY2015.

The Turkish Banking Sector, which currently lacks the desired levels of scale and cost productivity, is anticipated to change its organizational structure and growth strategies throughout FY2015 accordingly. As such, it is expected that the sector will increase its strategic collaboration between domestic and international institutions outside of the financial sector from FY2015 onwards.

Despite the adoption of innovative techniques in the field of branching across the Turkish Banking Sector, branches maintain their significance among the different distribution channels. The loan issuing capacity of the Turkish Banking Industry remains above the globally accepted optimum levels with the elasticity coefficients despite interest rate volatility and regulatory pressures. Legal regulations have led to improvement in the resistance of banks against crises, while exerting downward pressure on productivity and profitability. However, the financial innovations that have been constituted on a national and international basis have helped to counteract the negative effects of regulatory constraints.

Although banks continue to rely principally on deposits for their financing needs, the utilization of alternative resources is following a rising trend. In line with the increase in funding opportunities resulting from expansionary monetary policies pursued by developed economies, banks' international liabilities have maintained an upward trend during the recent years. The external debt rollover ratio of the sector has been maintained at a level above 100% and the long term nature of the international funds helps to extend the maturity structure of liability composition. The issues of securities by banks have accelerated and maintained their growth trend.

The ratio of non-performing loans to equity exhibited a value of 12.87% in FY2012 and increased to 15.29% and 15.69% in FY2013 and FY2014, respectively. While there was a nominal increase of 22.91% in the non-performing loans throughout 2014, the lower nominal increase of 18.65% in total loans compared to that in non-performing 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 2.84% as of FYE2014.



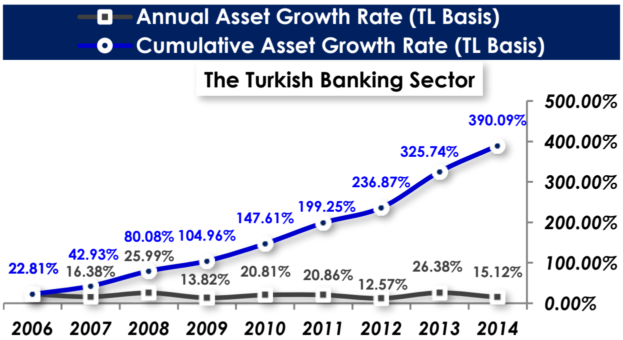
The capital adequacy ratio of the sector was 17.90% at FYE2012 and underwent a fall and attained a value of 15.30% by FYE2013. However, it recovered throughout FY2014 and increased to 16.28% at FYE2014. The fact that 85.53% of the sector's legal equity was constituted of core capital proves that the sector maintains its robust equity structure despite the fall from the 90% level observed in the past.

The Banking Sector maintained its asset growth throughout FY2014 principally resulting from the expansion in loans and required reserves in a similar trend to that of FY2013. This was largely funded via the increase in deposits, equity, issued securities and rises in payables to banks.

The regulation, supervision and monitoring activities that have been put in place following the fiscal crisis in 2000 along with their execution at an internationally accepted high quality level has brought discipline into the sector. The effects of legal regulations helped to increase the resistance of banks against crises, whilst exerting downward pressure on productivity and profitability. However, the innovations that have been rolled out at the national and international level helped to counter the negative effects of regulatory constraints. In particular, the growth in loans was rather subdued resulting from the macro-economic measures that have been implemented in FY2014.

MARKET SHARE %	2006	2007	2008	2009	2010	2011	2012	2013	2014
PARTICIPATION BANKS	2.75	3.34	3.52	4.03	4.30	4.61	5.13	5.55	5.23
DEVELOPMENT AND INVESTMENT BANKS	3.07	3.25	3.13	3.24	3.07	3.42	3.85	4.05	4.24
DEPOSIT BANKS	94.18	93.41	93.35	92.73	92.63	91.97	91.02	90.41	90.53

As of FYE2014, deposit banks held the leading rank among the banking sector assets with a 90.53% share, followed by participation and development banks with shares of 5.23% and 4.24%, respectively. The Turkish Banking sector exhibited successive growth on a cumulative basis for the last 9 years with an aggregate cumulative growth rate of 390.09% for the 2005-2014 periods.



On USD terms, the Turkish Banking Sector exhibited growth across all years with the exception of 2008 and 2011 where there was a contraction in asset size due to the sudden devaluation of the Turkish Lira (TRY).

Examining the details of the FY2014 growth in greater detail, reveals that participation and investment banks recorded the greatest increase with a rate of 20.58%. Participation banks had an annual growth rate of 8.50% whilst deposit banks attained a growth rate of 15.28%. Compared to the previous years, the low growth of participation banking throughout FY2014 stemmed from the ongoing problems associated with Bank Asya which was largely publicized in the press.

Deposits, international borrowing and equity, which has been increasing through internal profitability generation, constituted the principal resources of growth for the sector in the past. The growth observed throughout FY2014 was driven first and foremost by increases in general deposits, particularly that of foreign currency deposits, followed by borrowings from international banks, funding via repurchase agreements and finally issued securities and bonds. The diversification of resources extended maturities and eased liquidity management. However, the share of equity among total resources has declined to a level that was last observed 9 years ago. There was an increase in deposit interest rates and funding costs across the wider Turkish Banking Sector from 1Q2013 onwards. Consequently, the sector's growth rate underwent a limited slowdown.

Deposits continue to enjoy the highest share with respect to funding of the Banking Sector. However, their share among total resources dropped to 53.77% at FYE2013 from 61.90% at FYE2005. In line with the development of capital markets and integration of the system into the global economic dynamics, the issue of capital market instruments and resources obtained via direct borrowing started to play an increasingly important role. In this regard, the share of resources obtained through such means has increased to 28.07% at FYE2013 from 18.45% at FYE2007.

The share of securities among total assets maintained an increasingly downward trend and fell to 15.99%. Loans, on the other hand, increased to 62.85% at FYE2014 from 38.93% in FY2005. The highest level of growth among total resources was observed across provisions for required reserves and bank liquidity requirements. Provisions, which constituted 3.68% of total assets at FYE2005, formed 8.62% of total assets at FYE2013. The desire to slow down credit growth is the major factor that lies behind the increase in provision rates across the sector.

The profitability indicators of the Turkish Banking Sector began to exhibit a downward trend despite the maintenance of relatively high levels throughout FY2014. The domination of the sector's funding structure by deposits is a factor that increases the need for a branch network and operating expenses and as such leads to downward pressures on the sector profitability. On the other hand, banks reflect the anticipated losses in their credit assignment processes 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 should improve operational productivity.

Turkish Banking Sector Profitability Indicators %	2014	2013	2012	2011	2010	2009	2008	2007	2006
Interest Margin %	3.80	4.02	4.42	3.86	4.61	5.87	5.23	5.03	4.81
ROAA (%)	1.69	2.01	2.33	2.27	2.95	3.21	2.54	3.37	3.20
ROAE (%)	14.81	16.62	18.49	17.90	21.85	25.50	20.56	26.90	25.36
Net Profit Margin %	25.81	25.91	30.42	30.65	36.14	33.20	27.83	35.82	32.01
Provision expenses / T. revenues%	21.66	19.81	20.45	15.14	14.08	22.60	18.41	14.44	12.73

Despite the gradual drop in interest rates from 1H2014 onwards, the net interest margin generated by the Banking Sector has currently not been negatively impacted by such developments. However, provision expenses maintain negative pressures on banks' balance sheets.

Net interest income constitutes the principle source of revenue while the sector has difficulty in diversifying its revenue streams. The effects of provision expenses in the margins are greater compared to EU countries among the different components. Net interest income forms the principal source of revenue for the Turkish banking system, constituting 68.12% of total banking revenues. On the other hand, the ratio of non-interest expenses to total revenues is lower than the levels observed in EU countries.

The leading indicators of foreign currency position in the sector, the ratios of **"Total Foreign Currency Position to Assets"** and **"Total Foreign Currency Position to Equity"**, attained values of 0.30% and 2.61% as of FYE2013. 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.

There is no liquidity deficit for the balance sheet transactions across all maturities. The highest level of excess liquidity was observed for the period of up to 7 days maturity and on a yearly basis due to the effects of the increases in provisions. Liquidity deficit is observed in all off-balance sheet transactions across different maturities. However, the Turkish Banking System is in liquidity surplus overall.

As of FY2014, the Banking Sector finances 52.79% of its assets via deposits and participation funds. Despite the creation of various tax incentives to increase the maturity of the funding structure, the average maturity of banking deposits was 72.77 days in 2014 compared to 74 days in 2012.

Leasing and loan receivables form 62.22% of the total asset size of the Turkish Banking Sector, whilst 15.99% of total assets are constituted by debt securities, large 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 on the rise.

The credit, market and operational risks of the Turkish Banking System are measured in accordance with internal methodologies and the BRSA regulations. External independent rating agencies have not yet taken part in the measurement of these risks, particularly credit risk. According to data compiled by the BRSA, 90.08% of total risks in the system are constituted by credit risk, followed by operational risks and market risks with shares of 7.45% and 2.47% respectively. The aggregate monetary measure of risk across the system is TRY1.66 bn.

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 been low for a relatively long period of time. The ratio of non-performing loans across the sector was 2.84% as of FYE2014 and remains low in comparison to global averages. However, the pressures on economic growth in 2015 are anticipated to lead to a fall in the asset quality.

Across the sector, the share of equity to the overall asset size was 13.17% at FYE2012 whilst the same ratio was 11.19% at FYE2013, and declined to 11.64% at FYE2014. Participation banks had the lowest equity to total resources ratio.

On the other hand, despite the damage that has been done to the reputation and appeal of development and investment banks 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.

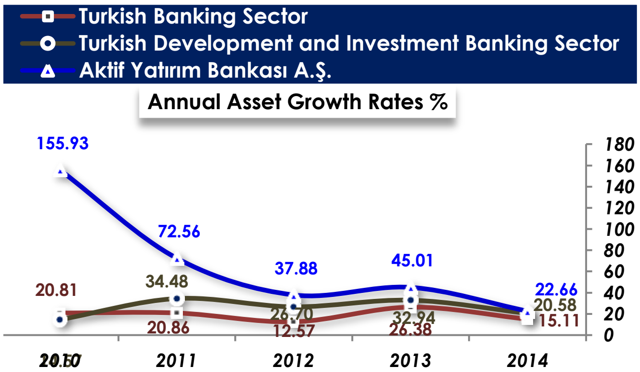
6. Financial Analysis

a. Financial Indicators and Performance

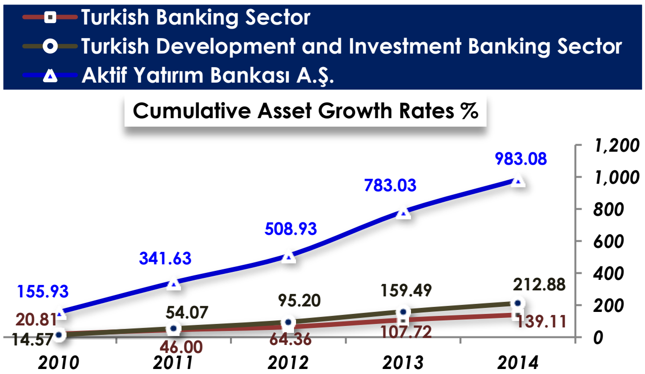
i. Indices Relating to Size

Aktif Bank enlarged its assets by 22.66% in 2014 despite a deceleration in comparison to the past performance and remained above the growth rates of both the Development & Investment Banking Sector and the entire Turkish Banking Sector throughout the reviewed period.

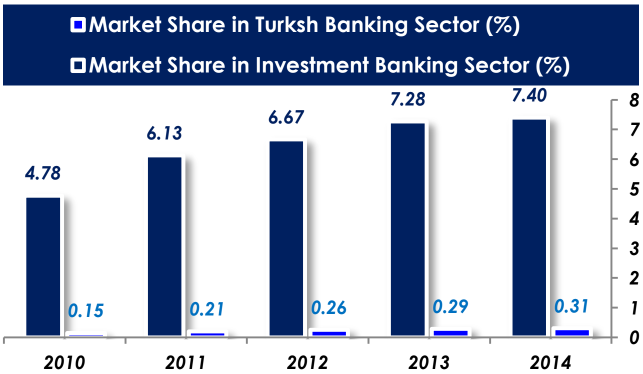
The main driver behind the asset growth was a robust climb in non-earning assets stemming principally from reserve deposits at the Central Bank and placement with other banks, which were increased by 58.11% as of 2014 and an increase in investment portfolio with a rate of 37.69%. The graphs below present the growth of the Bank's asset base in comparison to those of the sectors. Throughout the reviewed period the overall asset base growth performance of the Bank stayed well above the sectors' averages.



The Bank's cumulative asset base growth performance over the reviewed period remained well above the sector averages and approximately 7 times that of the average cumulative growth of the Turkish Banking Sector. The Bank positively diverged from the sectors averages over the reviewed period thanks to its exceptional assets base growth performance.



Thanks to the above sector average asset growth, the Bank's asset size market share figures, with regard to both the Development & Investment Banks and the entire Turkish Banking Sector, exhibited progressive improvement and reached 7.40% and 0.31%, respectively, at the end of FY2014. Aktif Bank maintained its position as the 23rd largest bank in Turkey by asset size.



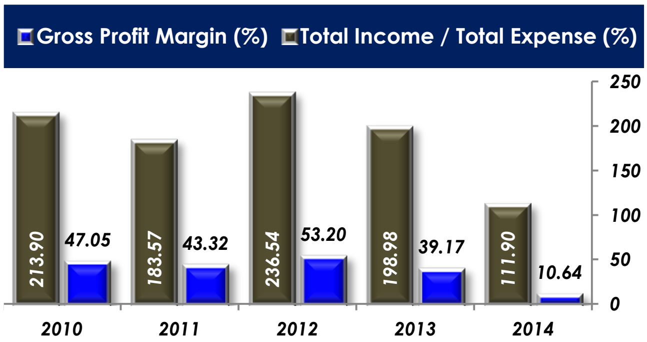
ii. Indices Relating to Profitability

Aktif Bank recorded a net profit of 80.8mn in 2014, a 13.93% regress on a year on year basis, according to the unconsolidated financial statements prepared in line with BRSA standards. Regarding the profit related performance, Aktif Bank underperformed both the Development & Investment and the Turkish Banking Sector as a whole in FY2014. While the Investment Banks' net profit figure demonstrated a sound growth of 36.11% in 2014, the entire sector experienced a slight decrease with a rate of 0.28%.

According to the IFRS-compliant consolidated financials, the Bank reported TRY 33.7mn in profits, nearly one third of the previous year's TRY 124.5mn. Despite the decline in the Bank's total income of TRY 21.2mn, total expenses displayed an increase of TRY 141.7mn in 2014, in which net profit of the bank remarkably decreased by 72.92% year on year at the end of FY2014.

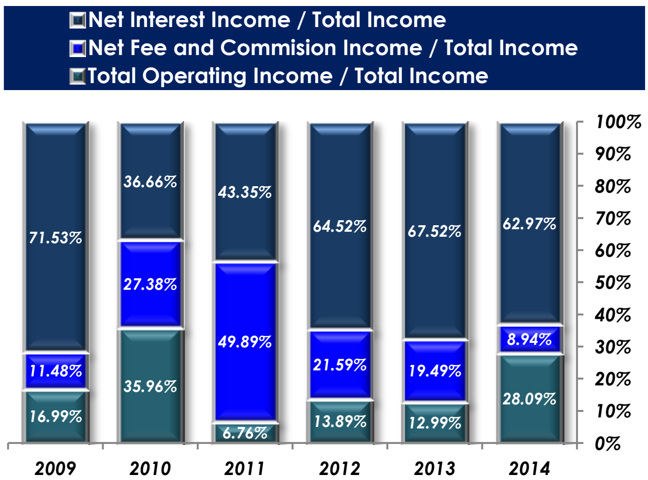
Regress in net interest income, net fee and commission income along with a solid hike in operating expenses from TRY 197.8mn to 337.5mn derived principally from an increase in other operating expenses led to the remarkable reduction in net profit figure.

The Bank's gross profit and total income to total expenses ratios exhibited a significant decline in the last two consecutive years and the deterioration in these ratios accelerated in 2014. Derived from the contraction in net interest income and net fee and commission income in absolute values, the Bank's total income regressed by 5.15% while the total expenses demonstrated a sharp increase by 68.66% supported by principally growths in cost of service, administrative and personal expenses.

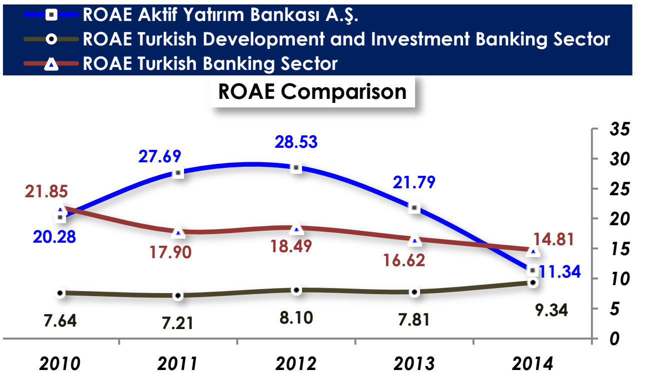


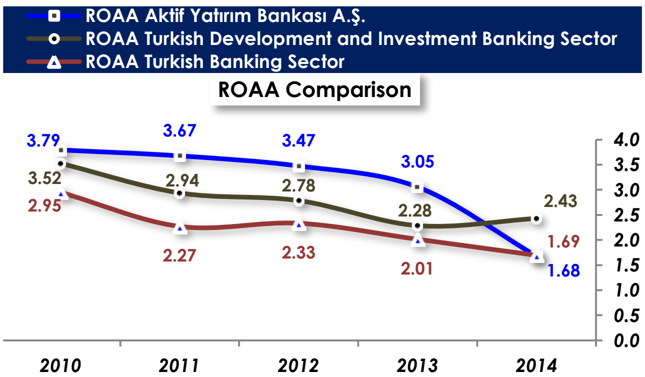
The Bank's income largely arose from net interest revenues, which accounted for 62.97% of total income in 2014 (FY2013: 67.52%), although its share was decreased. Notwithstanding a 11.33% increase in granted loans portfolio, net interest revenues amounting to TRY 238.6mn decreased by 12.11% (FY2013:TRY 271.5mn) due to tapering net interest margin. The share of net fee and commission revenues significantly declined to 8.94% (FY2013: 19.49%) due to the transfer of insurance business portfolio to its subsidiary, Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş. Thus net fee and commission income regressed to TRY 33.9mn from 78.4mn FYE2013. However, the Bank gained revenue from the sales transaction, which was placed in other revenues item. Furthermore, total operating income was positively affected by the reversal of general provision amounting to TRY 27mn. Therefore, the share of total operating income increased to 28.09% from 12.99%.

The Bank engendered 71.91% of its total income through interest and net fee & commission incomes, which are sustainable income streams. On the contrary, the Turkish Banking and Investment Banking Sectors generated 68.62% and 79.64% of its revenues from net interest income, respectively, (FY2013: 65.15%, 78.91%) while net fee and commission income consisted of 21.71% and 7.47% of total revenues. Those figures indicate that the Bank should improve its interest income streams.

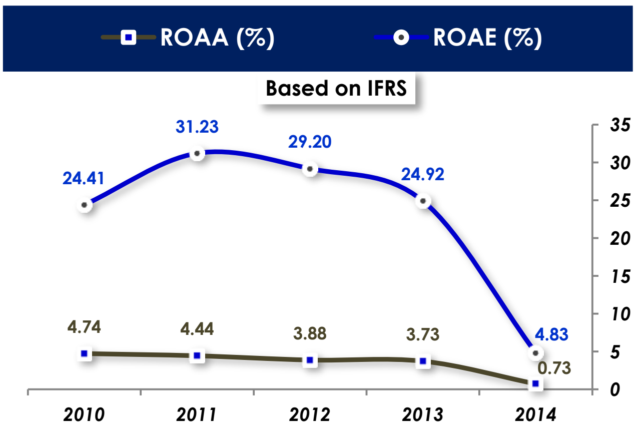


In FY2014, the return on assets and equity ratios of the Bank exhibited a remarkable decline compared to the previous year and underperformed the Turkish Banking Sector. In the same period, corrosion in ROAA and ROAE ratios were experienced in the entire banking sector, while they increased in the Investment Banking Sector.

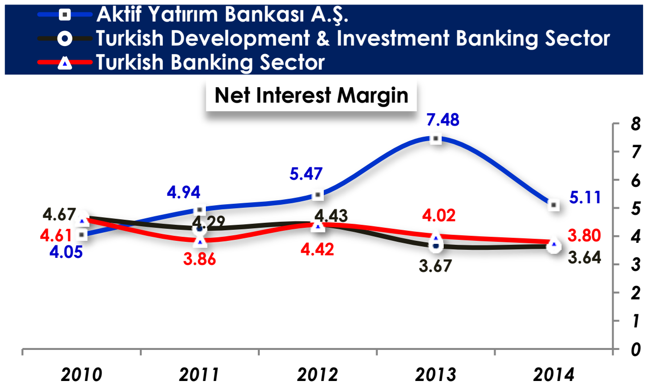




In 2014, the Bank's ROAA and ROAE materialized at 0.73% and 4.83%, respectively, as per the consolidated financial statements prepared in line with IFRS, representing fairly divergence compared to BRSA based unconsolidated figures.



The net interest margin (NIM) ratio of the Bank was 5.11% at the end of FY2014, presenting a remarkable decline compared to the previous year, despite maintaining its level above the sector averages for the last four year period. The high and above sector average NIM ratio specifies the bank effectiveness and stronger returns.



As of March 31, 2015, the Bank reported net profits of TRY 10.45mn, (1Q2014: TRY 20.37mn) exhibiting a 48.69% decrease over the previous year. In contrast, Turkish Banking and Development & Investment Banking Sectors' net profit figures displayed increases of 15% and 11.10%, respectively.

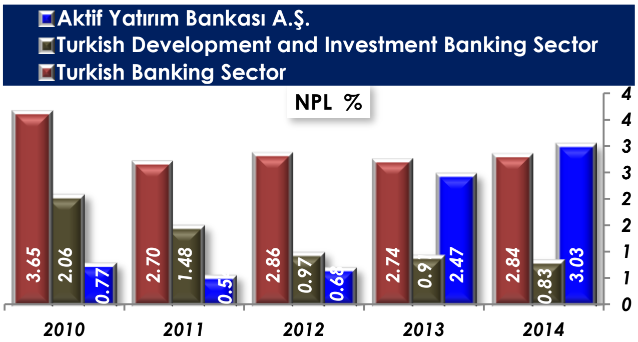
b. Asset Quality

At the end of FY2014, Aktif Bank extended 64.37% of its assets as loans, almost in line with the sector averages (Turkish Banking Sector: 62.21% and the Development & Investment Banking Sector: 68.29%), down 653 base points compared to the previous year's ratio of 70.90%. Decrease in loans portfolio was replaced principally by reserve deposits in the Central Bank and with investment securities. In addition, interest earning assets to total assets ratio decreased to 80.40% from 84.28% FYE2013.

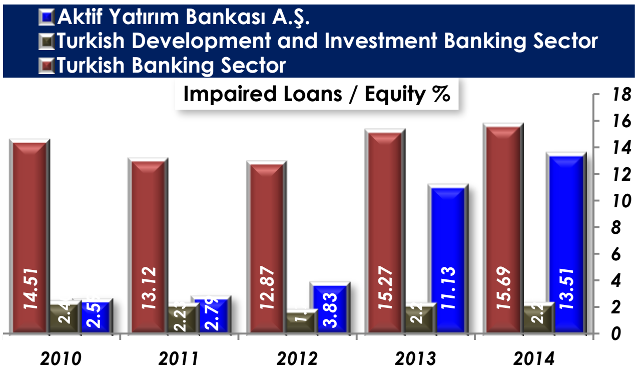
Upside risks via a destabilized TRY and downside risks to growth with sluggish policy response might deteriorate asset quality through weakened debt-servicing capabilities of the real sector. Under these circumstances, we, as JCR Eurasia Rating, estimate an upward trend in NPLs in the banking sector, as long as there is no significant improvement in economic activities in the reminder of the year.

At the end of FY2014, Aktif Bank's NPLs ratio materialized at 3.03% and surpassed the non-performing loans of both the Turkish Banking and the Development and Investment Banking Sectors for the first time over the reviewed period. On the other hand, it is also 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 to reduce NPL ratios.

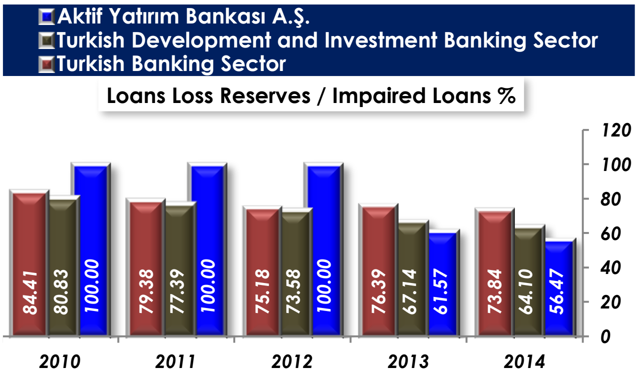
The gross non-performing loans portfolio increased to TRY 120mn from 87.9mn FY2013 and experienced a yearly growth rate of 36.51% in FY2014, while the loan portfolio exhibited a lower growth of 11.33% in the same period that also underpinned the increase of NPLs from 2.47% to 3.03%.



The Bank's non-performing loans to equity ratio remained lower than that of the Turkish Banking Sector throughout the reviewed period, while surpassing the Development & Investment Banking Sector. However, the current level of non-performing loans is far from an alarming level.



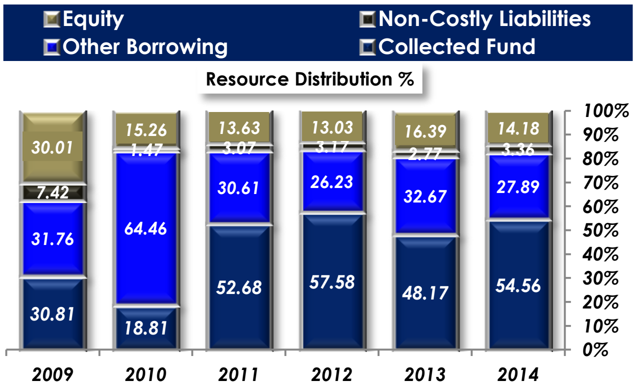
As can be noted in the following chart, the Bank's loan loss reserves covered 56.47% of non-performing loans at the end of FY2014 and fell below the sectors averages.



c. Funding and Adequacy of Capital

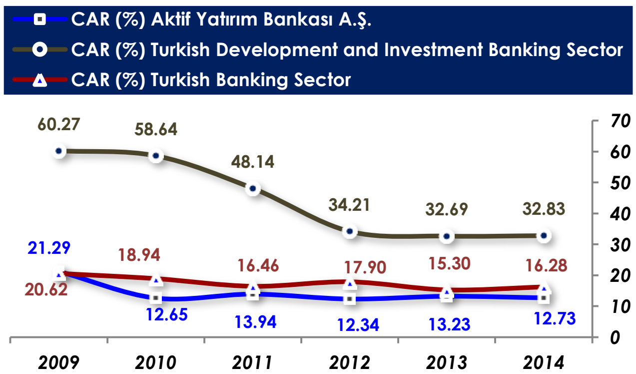
Aktif Bank, as an investment bank, is not entitled to collect customer deposits and therefore meets its funding needs through issued debt securities, borrowed funds from domestic & international institutions, current balances of its loan customers, equity and obligations under repurchase agreement.

The Bank's collected fund, which embraces issued debt securities and current balances of loan customers, accounted for the largest share among the total fund resources with a rate of 54.56% at the end of 2014. The second largest fund resource was other borrowing consisting of bank loans and obligations under repurchase agreement.



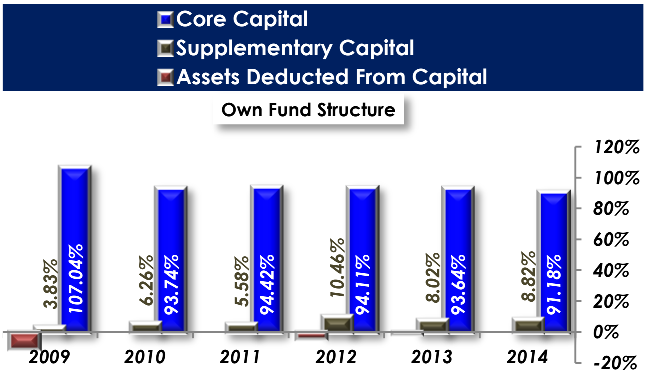
51.72% and 31.75% of total liabilities were placed in brackets of up to one month period and up to three months period, respectively. Very short term funding profile of the Bank creates to pressure on liquidity management through renewal risks along with an increase in dependence on capital and money markets. Access to money and capital market may come under pressure if the severity of tension in the operating environment worsens.

Aktif Bank's non-consolidated Capital Adequacy Ratio (CAR) was calculated as 12.73% at the end of FY2014, despite demonstrating a decrease compared to the previous year's ratio of 13.23%, and remained above the minimum CAR requirements set by the Basel Accord (8%) and the recommended level BRSA (12%). On the other hand, for the last five 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.

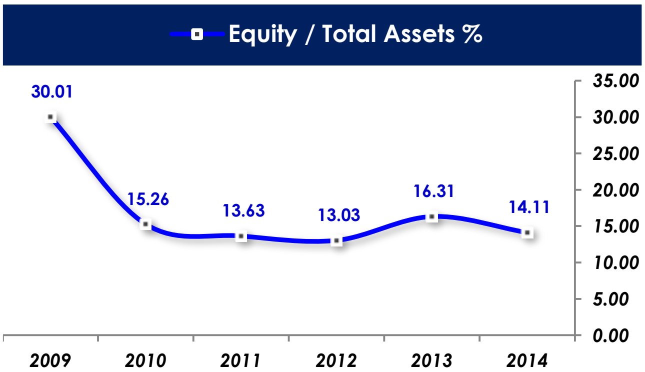


The Bank has also remained compliant with and performed well above minimum requirements of Common Equity Tier 1 Capital Ratio (4.5%) and Total Tier 1 Capital Ratio (6%) set by the BRSA effective from January 1, 2014 with realized figures of 12.22% and 11.61%, respectively. The Common Equity Tier 1 Ratio of the Turkish Banking and the Investment and Development Banking Sectors were 14.03% and 32.37%, respectively, and were fairly above Aktif Bank's ratio.

The share of core capital, predominantly consisting of paid-up capital and retained earnings, accounted for 91.18% of the Bank's total own fund structure in 2014 (FY2013: 93.64%) and attained its high level in FY2014 despite a decrease from FY2013.



The equity to assets ratio regressed to 14.11% in FY2014 due to lower growth in the equity base stemming from the poorer performance of the profitability level than the assets growth. The ratio of the Turkish Banking and Development & Investment Banking Sectors' were 11.64% and 25.11%, respectively.



7. Risk Profile & Management

a. Risk Management Organization & its Function – General Information

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 committee reports to the Board of Directors at least once every 6 months on issues relating to audit activities.

Aktif Bank is mainly 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 frame and implementation communiques. The Bank has set up **Credit, Corporate Governance and Remuneration Committees** under the **BoD** and also formed **Asset & Liability** and **Executive Committees** 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 System in line with BRSA regulations to establish a thorough and comprehensive risk management system.

b. Credit Risk

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 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.

Aktif Bank grades all cash loans 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 82.35% of its gross cash loans as low risk (FY2013: 90.78%), 13.64% at medium risk (FY2013: 6.28%) and 1.03% (FY2013: 0.53%) at high risk. These outcomes state that the Bank has a relatively low risk position regarding the Bank's internal grading system. Additionally, the Bank graded 73.51% of its non-cash loans (FY2013: 71.00%) as low risk, 25.21% (FY2013:26.02%) as medium risk and 1.28% (FY2013: 2.98%) as high risk.

5.63% (FY2013:4.44%) of the total gross cash loans of the Bank were secured with tangible collaterals in the form of cash blockage with a share of 1.14%, pledge on assets of 4.02% and 0.48% with share certificates. In addition, cash blockage and pledge on assets amounting to TRY 113mn (FY2013: TRY106mn) provide collateralization for the total non-cash loans amounting TRY 991mn.

According to the unconsolidated financial statements prepared in line with BRSA standards, 40.6mn of loans were placed under follow up (in addition to TRY 120mn non-performing loans portfolio). TRY 337mn loans payment plans were extended several times although they were placed in the performing loans portfolio. Despite the treatment of these loans as performing loans by the management, in the event of depressed economic conditions, those loans may threaten assets quality and return on loans.

At the end of FY2014, the Bank's loans portfolio was dispersed as 68.41% (FY2013: 57.26%) corporates and 31.59% (42.69%) consumers. 62.89% of loans were extended in TRY and the remaining in foreign currencies and 35.26% of total loans were in the over 1 year maturity bracket.

The Bank's largest 20 corporate customers constituted 99.35% of the total corporate cash outstanding loans and 96.13% of total non-cash loans, specifying very high concentrations.

On the other hand, 50.41% (FY2013:51.49%) and 45.49% (FY2013: 57.82%) of the Bank's cash and non-cash loans directly or indirectly were given to group companies, respectively. Although we, as JCR Eurasia Rating, have not assessed the individual risk level of those companies and allocated credits, these credits are presumed to be paid back. Furthermore, the management plans to reduce the share of loans allocated to the Group Companies in line with its medium term growth projections.

c. Market Risk

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.

The Bank is principally exposed to the fluctuations in the interest rate 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. The Bank measures the interest rate sensitivity of assets, liabilities and off-balance sheet items for the weekly meetings of the Asset- Liability Committee. The Bank uses derivatives instruments to hedge against foreign currency risk. As of 2014, the total currency position to assets and equity ratios were 0.13% and 0.92%, respectively, and were aligned with the regulations and stood at low levels.

d. Liquidity Risk

Aktif Bank executes its liquidity risk by maintaining the adequate liquid assets to meet its obligation even in stressed conditions and accomplishes the regulations regarding liquidity implemented by the BRSA. As per the framework of the 'Communiqué on Measurement and Evaluation of Liquidity Adequacy of Banks' published by BRSA on November 1, 2006, 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. The Bank's liquidity ratios were above the requirement levels and remained compliant with BRSA parameters in 2014.

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. At the end 2014, 51.72% (FY2013:61.15%) of the Bank's liabilities stood in the less than one month maturity bracket. Although this very short term fund structure exerts pressure on liquidity, the management provides adequate funding sources through good access to financial markets and funding mix.

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 immediate response to fluctuations in the market.

Nonetheless, the Bank was fined TRY 155.3k by the BRSA in 2014 and incurred a loss of TRY 115.4k due to 8 fraudulent loan transactions. Considering the size of the

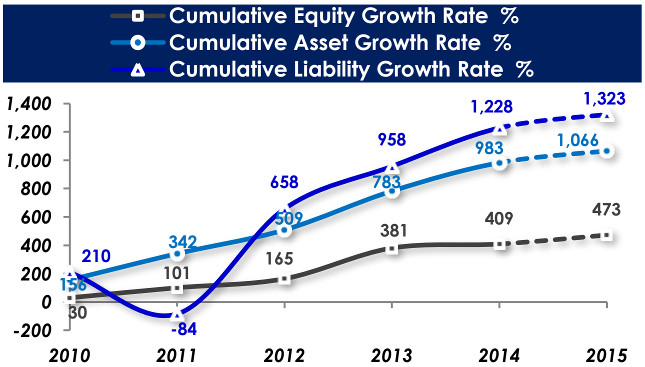
Bank, equity and transactions, the operational loss is considered to be reasonable.

8. Budget & Debt Issue

a. Budget

Aktif Bank projected a growth of 7.79%, 11.87% and 7.12% in asset size, equity base and total liabilities, respectively, within the framework of projections and budgeting activities in FY2015 compared to the results of FY2014. Furthermore, the cumulative growth performance is expected to reach 1,066% in assets, 1,323% in liabilities and 473% in equity as of 31 December 2015.

On the other hand, the Bank's FY2014 projections in assets, loan, equity and net profit growths were remarkably behind the realized figures.



In the context of profitability, the company expected to record a net profit of TRY 103.5mn in FY2015. The net profit increase was predicted as 206.98% compared to the FY2014. Expected profit enlargement target is assumed to be too optimistic considering the tapering of the interest margin and net fee & commission income, under the slow-down of economic activities during 2015.

b. Debt Issue

Aktif Bank was the leading Turkish bank to issue bank bonds in 2009 and successfully settled unsecured bond issuances (Aktif Bono) reaching TRY 13.8bn as of FY2014. Furthermore, the Bank's issued Asset Backed Securities (ABS) reached TRY1.8mn at the end of 2014. The Bank issued debt instruments through asset lease certificates (sukuk) with a total amount of TRY 100mn in 2014 as an Islamic debt instrument to provide finance to projects.

Issued debt instruments accounted for the largest share of external fund resources of the Bank amounting TRY 3bn as of December 31, 2014 and expected to reach to TRY 3.82bn as of FYE2015.

AKTIF YATIRIM BANKASI A.Ş. BALANCE SHEET - ASSET (000)	FYE 2014 USD (Converted)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	FYE 2013 TRY (Average)	FYE 2012 TRY (Original)	FYE 2012 TRY (Average)	FYE 2011 TRY (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	As % of 2012 Assets (Original)	FYE 2014 Growth Rate %	FYE 2013 Growth Rate %	FYE 2012 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**2,167,608**	**5,026,467**	**4,665,999**	**4,305,531**	**3,629,884**	**2,954,236**	**2,608,636**	**2,263,035**	**80.40**	**84.28**	**83.98**	**16.74**	**45.74**	**30.54**
I- LOANS AND LEASING RECEIVABLES (net)	**1,717,751**	**3,983,292**	**3,780,581**	**3,577,869**	**2,972,215**	**2,366,560**	**2,022,173**	**1,677,786**	**63.71**	**70.04**	**67.28**	**11.33**	**51.18**	**41.05**
a) Short Term Loans	1,688,863	3,916,305	3,734,279	3,552,253	2,958,636	2,365,018	2,021,387	1,677,755	62.64	69.54	67.23	10.25	50.20	40.96
b) Lease Assets	0	0	0	0	771	1,542	787	31	n.a	n.a	0.04	n.a	-100.0	4,874
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	51,771	120,052	103,999	87,945	53,429	18,913	13,933	8,953	1.92	1.72	0.54	36.51	365.00	111.25
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 (-)	-22,884	-53,065	-57,697	-62,329	-40,621	-18,913	-13,933	-8,953	-0.85	-1.22	-0.54	-14.86	229.56	111.25
II- OTHER EARNING ASSETS	**66,987**	**155,337**	**119,105**	**82,873**	**49,514**	**16,155**	**62,930**	**109,704**	**2.48**	**1.62**	**0.46**	**87.44**	**412.99**	**-85.27**
a) Balance With Banks -Time Deposits	66,987	155,337	119,105	82,873	49,514	16,155	18,141	20,126	2.48	1.62	0.46	87.44	412.99	-19.73
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 (*)	0	0	0	0	0	0	44,789	89,578	n.a	n.a	n.a	n.a	n.a	-100.0
d) Balance With CB- Demand Deposits (*)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
III- SECURITIES AT FAIR VALUE THROUGH P/L	**382,870**	**887,838**	**766,314**	**644,789**	**608,155**	**571,521**	**523,533**	**475,545**	**14.20**	**12.62**	**16.25**	37.69	12.82	20.18
a) Treasury Bills and Government Bonds	336,342	779,944	712,367	644,789	608,155	571,521	514,760	457,999	12.48	12.62	16.25	20.96	12.82	24.79
b) Other Investment	46,528	107,894	53,947	0	0	0	8,773	17,546	1.73	n.a	n.a	n.a	n.a	-100.0
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	**4,841**	**11,226**	**9,951**	**8,675**	**4,338**	**0**	**0**	**0**	**0.18**	**0.17**	**n.a**	**29.41**	**n.a**	**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	4,841	11,226	9,951	8,675	4,338	0	0	0	0.18	0.17	n.a	29.41	n.a	n.a
C- NON-EARNING ASSETS	**523,582**	**1,214,134**	**1,004,214**	**794,294**	**678,827**	**563,359**	**426,567**	**289,775**	**19.42**	**15.55**	**16.02**	**52.86**	**40.99**	**94.41**
a) Cash and Cash Equivalents	3,427	7,947	6,430	4,912	10,028	15,144	9,081	3,017	0.13	0.10	0.43	61.79	-67.56	401.96
b) Balance With Banks - Current Accounts	267,712	620,798	514,403	408,008	452,215	496,422	374,028	251,633	9.93	7.99	14.11	52.15	-17.81	97.28
c) Financial Assets at Fair Value through P/L	1,833	4,251	5,250	6,248	5,487	4,726	2,363	0	0.07	0.12	0.13	-31.96	32.20	n.a
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	250,609	581,138	478,132	375,126	211,097	47,067	41,096	35,125	9.30	7.34	1.34	54.92	697.00	34.00
- Intangible Assets	44,694	103,641	81,901	60,160	39,874	19,588	17,628	15,667	1.66	1.18	0.56	72.28	207.13	25.03
- Property and Equipment	83,491	193,608	187,779	181,950	94,533	7,115	5,915	4,715	3.10	3.56	0.20	6.41	2,457	50.90
- Deferred Tax	5,293	12,275	8,697	5,118	4,616	4,113	3,535	2,956	0.20	0.10	0.12	139.84	24.43	39.14
- Other	117,131	271,614	199,756	127,898	72,075	16,251	14,019	11,787	4.34	2.50	0.46	112.37	687.02	37.87
TOTAL ASSETS	**2,696,031**	**6,251,827**	**5,680,164**	**5,108,500**	**4,313,048**	**3,517,595**	**3,035,203**	**2,552,810**	**100.00**	**100.00**	**100.00**	**22.38**	**45.23**	**37.79**

AKTIF YATIRIM BANKASI A.Ş. BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2014 USD (Converted)	FYE 2014 TRY (Original)	FYE 2014 TRY (Average)	FYE 2013 TRY (Original)	FYE 2013 TRY (Average)	FYE 2012 TRY (Original)	FYE 2012 TRY (Average)	FYE 2011 TRY (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	As % of 2012 Assets (Original)	FYE 2014 Growth Rate %	FYE 2013 Growth Rate %	FYE 2012 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**2,223,093**	**5,155,131**	**4,642,308**	**4,129,484**	**3,538,720**	**2,947,955**	**2,537,123**	**2,126,290**	**82.46**	**80.84**	**83.81**	**24.84**	**40.08**	**38.64**
I- DEPOSIT & DEBT SECURITIES	**1,471,074**	**3,411,273**	**2,935,925**	**2,460,577**	**2,242,966**	**2,025,354**	**1,685,130**	**1,344,906**	**54.56**	**48.17**	**57.58**	**38.64**	**21.49**	**50.59**
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	1,471,074	3,411,273	2,935,925	2,460,577	2,242,966	2,025,354	1,685,130	1,344,906	54.56	48.17	57.58	38.64	21.49	50.59
II- BORROWING FUNDING LOANS & OTHER	**752,019**	**1,743,858**	**1,706,383**	**1,668,907**	**1,295,754**	**922,601**	**851,993**	**781,384**	**27.89**	**32.67**	**26.23**	**4.49**	**80.89**	**18.07**
a) Borrowing From Domestic Market	93,089	215,865	356,899	497,932	311,897	125,862	91,387	56,912	3.45	9.75	3.58	-56.65	295.62	121.15
b) Borrowing From Overseas Markets	558,063	1,294,093	947,218	600,342	499,248	398,153	385,547	372,940	20.70	11.75	11.32	115.56	50.78	6.76
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	83,521	193,677	366,041	538,404	468,495	398,586	375,059	351,532	3.10	10.54	11.33	-64.03	35.08	13.39
e) Subordinated Loans & Others	17,346	40,223	36,226	32,229	16,115	0	0	0	0.64	0.63	n.a	24.80	n.a	n.a
B- NON-COST BEARING RESOURCES	**90,600**	**210,092**	**175,805**	**141,518**	**126,433**	**111,348**	**94,910**	**78,471**	**3.36**	**2.77**	**3.17**	**48.46**	**27.10**	**41.90**
a) Provisions	12,930	29,983	42,019	54,054	47,118	40,182	42,877	45,571	0.48	1.06	1.14	-44.53	34.52	-11.83
b) Current & Deferred Tax Liabilities	4,262	9,883	9,337	8,791	8,995	9,199	4,600	0	0.16	0.17	0.26	12.42	-4.44	n.a
c) Trading Liabilities (Derivatives)	16,212	37,595	28,993	20,390	11,817	3,244	1,622	0	0.60	0.40	0.09	84.38	528.55	n.a
d) Other Liabilities	57,196	132,631	95,457	58,283	58,503	58,723	45,812	32,900	2.12	1.14	1.67	127.56	-0.75	78.49
C- TOTAL LIABILITIES	**2,313,693**	**5,365,223**	**4,818,113**	**4,271,002**	**3,665,153**	**3,059,303**	**2,632,032**	**2,204,761**	**85.82**	**83.61**	**86.97**	**25.62**	**39.61**	**38.76**
D- MINORITY INTEREST	**1,922**	**4,457**	**4,445**	**4,432**	2,216	**0**	**0**	**0**	**0.07**	**0.09**	**n.a**	**0.56**	**n.a**	**n.a**
E- EQUITY	**380,416**	**882,147**	**857,607**	**833,066**	**645,679**	**458,292**	**403,171**	**348,049**	**14.11**	**16.31**	**13.03**	**5.89**	**81.78**	**31.67**
a) Prior Year's Equity	361,162	837,498	647,895	458,292	403,171	348,049	286,901	225,752	13.40	8.97	9.89	82.74	31.67	54.17
b) Equity (Added From Internal & External Recourses At This Year)	4,711	10,924	130,579	250,234	132,717	15,199	35,975	56,751	0.17	4.90	0.43	-95.63	1,546.38	-73.22
c) Profit & Loss	14,544	33,725	79,133	124,540	109,792	95,044	80,295	65,546	0.54	2.44	2.70	-72.92	31.03	45.00
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,696,031**	**6,251,827**	**5,680,164**	**5,108,500**	**4,313,048**	**3,517,595**	**3,035,203**	**2,552,810**	**100.00**	**100.00**	**100.00**	**22.38**	**45.23**	**37.79**
(*) This item is included in Non-Earning Assets	**USD Rates 1=TRY**	**2.3189**												

AKTIF YATIRIM BANKASI A.Ş. INCOME STATEMENT (000) TRY	FY 2014	FY 2013	FY 2012
Net Interest Income	**238,622.00**	**271,512.00**	**142,748.00**
a) Interest Income	560,976.00	515,006.00	331,810.00
b) Interest Expense	322,354.00	243,494.00	189,062.00
Net Fee and Commission Income	**33,863.00**	**78,390.00**	**47,768.00**
a) Fee and Commission Income	58,098.00	98,183.00	59,382.00
b) Fee and Commission Expense	24,235.00	19,793.00	11,614.00
Total Operating Income	**106,458.00**	**52,223.00**	**30,726.00**
Net trading income (+/-)	-10,654.00	-8,632.00	3,054.00
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	114,843.00	60,855.00	27,672.00
Taxes other than Income	0.00	0.00	0.00
Dividend	2,269.00	0.00	0.00
Provisions	**0.00**	**43,416.00**	**10,003.00**
Provision for Impairment of Loan and Trade Receivables	0.00	0.00	0.00
Other Provision	0.00	43,416.00	10,003.00
Total Operating Expense	**337,504.00**	**197,797.00**	**93,531.00**
Salaries and Employee Benefits	125,888.00	88,995.00	55,792.00
Depreciation and Amortization	17,034.00	12,682.00	4,702.00
Other Expenses	194,582.00	96,120.00	33,037.00
Profit from Operating Activities before Income Tax	**41,439.00**	**160,912.00**	**117,708.00**
Income Tax – Current	7,714.00	36,372.00	22,664.00
Income Tax – Deferred	0.00	0.00	0.00
Net Profit for the Period	**33,725.00**	**124,540.00**	**95,044.00**
Total Income	**389,597.00**	**410,757.00**	**221,242.00**
Total Expense	**348,158.00**	**206,429.00**	**93,531.00**
Provision	**0.00**	**43,416.00**	**10,003.00**
Pre-tax Profit	**41,439.00**	**160,912.00**	**117,708.00**

AKTIF YATIRIM BANKASI A.Ş. FINANCIAL RATIOS %	FY 2014	FY 2013	FY 2012
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pretax Profit / Total Assets (avg.)	0.73	3.73	3.88
2. ROAE - Pretax Profit / Equity (avg.)	4.83	24.92	29.20
3. Total Income / Equity (avg.)	45.43	63.62	54.88
4. Total income / Total Assets (avg.)	6.86	9.52	7.29
5. Provisions / Total Income	0.00	10.57	4.52
6. Total Expense / Total Liabilities (avg.)	7.23	5.63	3.55
7. Net Profit for the Period / Total Assets (avg.)	0.59	2.89	3.13
8. Total Income / Total Expenses	111.90	198.98	236.54
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	-1.95	3.53	0.18
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	-16.06	-12.78	-12.85
11. Total Operating Expenses / Total Income	86.63	48.15	42.28
12. Net Interest Margin	5.11	7.48	5.47
13. Operating ROAA (avg.)	6.40	9.38	10.11
14. Operating ROAE (avg.)	42.42	62.63	76.09
15. Interest Coverage – EBIT / Interest Expenses	112.86	166.08	162.26
16. Net Profit Margin	8.66	30.32	42.96
17. Gross Profit Margin	10.64	39.17	53.20
18. Market Share in Turkish Development and Investment Banking Sector	7.40	7.28	6.67
19. Market Share in Entire Banking System	0.31	0.29	0.26
20. Growth Rate	22.38	45.23	37.79
II. CAPITAL ADEQUACY (year-end)			
1. Equity Generation / Prior Year's Equity	1.30	54.60	4.37
2. Internal Equity Generation / Previous Year's Equity	4.03	27.17	27.31
3. Equity / Total Assets	14.11	16.31	13.03
4. Core Capital / Total Assets	12.76	15.37	11.77
5. Supplementary Capital / Total Assets	1.23	1.32	1.31
6. Capital / Total Assets	13.99	16.69	13.08
7. Own Fund / Total Assets	13.99	16.41	12.51
8. Standard Capital Adequacy Ratio	12.73	13.23	12.34
9. Surplus Own Fund	37.15	39.54	35.18
10. Free Equity / Total Assets	9.18	11.40	12.27
11. Equity / Total Guarantees and Commitments + Equity	14.44	18.19	10.63
III. LIQUIDITY (year-end)			
1. Liquidity Management Success (On Demand)	98.02	97.07	97.71
2. Liquidity Management Success (Up to 1 Month)	98.19	99.32	95.20
3. Liquidity Management Success (1 to 3 Months)	88.14	97.55	96.38
4. Liquidity Management Success (3 to 6 Months)	96.04	98.77	97.72
5. Liquidity Management Success (6 to 12 Months)	96.04	98.77	97.72
6. Liquidity Management Success (Over 1 Year & Unallocated)	92.28	91.49	94.32
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	1.31	1.71	0.79
2. Total Provisions / Profit Before Provision and Tax	0.00	21.25	7.83
3. Impaired Loans / Gross Loans	2.97	2.42	0.79
4. Impaired Loans / Equity	13.61	10.56	4.13
5. Loss Reserves for Loans / Impaired Loans	44.20	70.87	100.00
6. Total FX Position / Total Assets	0.13	6.92	0.00
7. Total FX Position / Equity	0.92	42.46	0.03
8. Assets / Total Guarantees and Commitments + Assets	54.47	57.69	47.72

The 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	