

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND
AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**



**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of Türk Ekonomi Bankası A.Ş.:

We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders’ equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank’s Board of Directors:

The Bank’s Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for selecting and applying appropriate accounting policies in compliance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and other regulations, interpretations and circulars published or declared by the Banking Regulation and Supervision Agency (“the BRSA”) on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with “Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks” published on the Official Gazette No.26333 dated 1 November 2006 and Independent Auditing Standards that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.



Independent Auditor's Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. and its consolidated subsidiaries at 31 December 2014 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Report on independent auditor's other responsibilities arising from regulatory requirements:

1. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
2. In accordance with Article 402 paragraph 4 of TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Partner

Istanbul, 5 February 2015

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND AUDITED REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE
CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014**

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The consolidated financial report for the year-end prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information About The Parent Bank
- Consolidated Financial Statements Of The Parent Bank
- Explanations On The Accounting Policies Applied In The Related Period
- Information On Financial Structure Of The Group Which Is Under Consolidation
- Explanatory Disclosures And Footnotes On Consolidated Financial Statements
- Other Explanation
- Independent Auditor’s Report

The subsidiaries, associates and jointly controlled entities, financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Associates	Jointly Controlled Entities
1	The Economy Bank N.V.	-	-
2	Stichting Effecten Dienstverlening	-	-
3	Kronenburg Vastgoed B.V.	-	-
4	TEB Yatırım Menkul Değerler A.Ş.	-	-
5	TEB Faktoring A.Ş.	-	-
6	TEB Portföy Yönetimi A.Ş.	-	-

The consolidated financial statements and the explanatory disclosures and footnotes, unless otherwise stated, are presented **in thousands of Turkish Lira**, in accordance with the Regulation on Accounting Applications for Banks and Safeguarding Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related statements and guidances, and in compliance with the financial records of the Bank, have been independently audited and presented as attached.

	Jean -Milan Charles				
	Dominique				
Yavuz Canevi	Givadinovitch	Dr. Akın Akbaygil	Ümit Leblebici	M. Aşkın Dolaştır	Gökhan Kazcılar
Chairman of the	Chairman	Vice Chairman	General	Assistant General	Director
Board of	of the Audit	of the Audit	Manager	Manager Responsible of	Responsible of
Directors	Committee	Committee		Financial Reporting	Financial Reporting

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Çiğdem Çelikbilek / Investor Relations Manager
Tel No : (0216) 635 24 63
Fax No : (0216) 636 36 36

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “The Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50 %.

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank Belongs to

As of 31 December 2014 and 31 December 2013 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2014		31 December 2013	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş.	1,212,414	%55.00	1,212,414	%55.00
BNPP Yatırımlar Holding A.Ş.	518,342	%23.51	518,342	%23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	402,517	%18.26	380,311	%17.25
Other Shareholders	71,117	%3.23	93,323	%4.24
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2014, Parent Bank’s paid-in-capital consists of TL2,204,390,000 shares of TL1.00 (full TL) nominal each.

As of 14 November 2014, BNP Paribas Fortis Yatırımlar Holding A.Ş., BNP Paribas Yatırımlar Holding A.Ş., BNP Paribas and TEB Holding A.Ş. acting jointly as the “Controlling Shareholders” according to the Communiqué of the Capital Markets Board No. II-27.2 on Squeeze-out and Sell-Out Rights (“Communiqué”), hold 96.005% of the voting rights of Türk Ekonomi Bankası A.Ş. (“TEB”). Pursuant to Temporary Article 1 of the Communiqué, “the right to sell” and the “squeeze-out right” have become exercisable following the purchase of an additional share by BNP Paribas Fortis Yatırımlar Holding A.Ş, one of the Controlling Shareholders, on 14 November 2014.

Within the three-month statute of limitations that started on 14 November 2014, the date of the purchase of the additional shares(14 November 2014 - 16 February 2015), any shareholders other than the Controlling Shareholders are entitled to sell their shares of the Bank to BNP Paribas Fortis Yatırımlar Holding A.Ş. which is one of the Controlling Shareholders.

BNP Paribas Fortis Yatırımlar Holding A.Ş., one of the Controlling Shareholders, will be entitled to exercise its squeeze-out right following the expiry of the three-month statute of limitations on 16 February 2015. BNP Paribas Fortis Yatırımlar Holding A.Ş. will submit an application to the Bank to exercise its squeeze-out right within three business days of the expiry of the three-month statute of limitations.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
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The considerations for the right to sell and the squeeze-out right are determined below, in accordance with the principles set forth under Article 6 of the Communiqué.

In order to calculate the fair price for the right to sell, the following information was considered.

- The arithmetic mean of the weighted average market price available on the stock exchange, within thirty days prior to the purchase of the additional share was TL2.0032.
- The price determined in the valuation report prepared for price identification was TL2.437.
- Prior to the disclosure of the purchase of the additional share to the public:

The Weighted average market price for the last six months was TL2.0185,

The weighted average market price for the last year was TL2.0528 and

The weighted average market price for the last five years was TL2.0562.

The fair value for the right to sell was determined to be TL2.437, which is the highest price out of those compared.

The squeeze-out selling price was determined as TL2.0032, which is the arithmetic mean of the weighted average market price available on the stock exchange within thirty days prior to the disclosure of the purchase of the additional.

An application requesting the delisting of the shares of Türk Ekonomi Bankası A.Ş. will be made to BIST at the same time as the application for exercising the squeeze-out right is made to the Capital Markets Board.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2014**

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III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
PhD.Akın Akbaygil	Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee and Independent Member of the Board	PhD
Jean-Milan Charles Dominique Givadinovitch	Member of the Board of Directors, Chairman of the Audit Committee and Independent Member of the Board	University
Jean Paul Sabet	Vice Chairman of the Board of Director	Master
Ayşe Aşardağ	Member of the Board of Directors	University
Ümit Leblebici	General Manager and Member of the Board of Directors	Master
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Alain Georges Auguste Fonteneau	Member of the Board of Directors	Master
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Musa Erden	Member of the Board of Directors	University
Jacques Roger Jean Marie Rinino	Member of the Board of Directors	University
Henri Simon Andre Foch	Member of the Board of Directors	University
Alain Kokocinski	Independent Member of the Board of Directors	Bank Technical Institute
PhD.İsmail Yanık	Independent Member of the Board of Directors	PhD
Assistant General Managers;		
Turgut Boz	Assistant General Manager Responsible from SME Banking and Vice Chairman of General Manager	University
Gökhan Mendi	Assistant General Manager Responsible from Consumer Banking and Private Banking	Master
PhD. Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources	PhD
Melis Coşan Baban	Chief Legal Counsel and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant Manager Responsible from Information Technologies	Master
Levent Çelebioğlu	Assistant General Manager Responsible from Corporate Banking	University
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Control	Master
Osman Durmuş	Assistant General Manager Responsible from Consumer Loans and Business Loans	University
Kubilay Güler	Banking Operations & Facility Services Assistant General Manager	University
Akil Özçay	Assistant Manager Responsible from Financial Markets	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans	University
Eric Patrice Paul Josserand	Assistant General Manager Corporate Investment Banking Group	Master
Ömer Abidin Yenidoğan	Vice Chairman of Corporate Investment Banking Group and Assistant General Manager	Master
Group Heads (*);		
Pascal Alfred J. Gilliard	Chief Risk Officer	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Traşın	Chairman of the Inspection Committee	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

(**) Philippe Bernard Dumel, Chief Operational Officer of the bank, resigned after he has been appointed to different role in 31 December 2014.

Shares of the Bank owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants are negligible.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

Name / Commercial Name	Share Amount	Share Ratio	Paid up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,414	%55.00	1,212,414	-
BNP Yatırımlar Holding A.Ş.	518,342	%23.51	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	402,517	%18.26	402,517	-

TEB Holding A.Ş. is the controlling party of the Parent Bank’s capital having both direct and indirect qualified shares. TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by BNP Paribas Fortis NV/SA whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding is controlled by BNP Paribas S.A. The Belgium State has 9.98% shares in BNP Paribas S.A.

V. Summary on the Parent Bank’s Functions and Areas of Activity

The Parent Bank’s operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardiff Hayat Sigorta A.Ş. As of 31 December 2014, the Parent Bank has 546 local branches and 5 foreign branches (31 December 2013: 539 local branches, 5 foreign branches).

According to The Bank’s Board of Directors Resolution, No: 5132/147 and dated 21 October 2014, it was decided to close Türk Ekonomi Bankası A.Ş. Bahrain Branch in Bahrain which is registered to Trade Registry, No:50046-1.

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods

There is no difference between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting for the Bank. Information about consolidated subsidiaries.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
- II. Consolidated Statement of Off-Balance Sheet Contingencies and Commitments
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Profit and Loss Accounted for Under Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Profit Distribution Table

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013			
		Section 5 Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	861,788	7,605,141	8,466,929	632,299	6,179,313	6,811,612
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	589,709	98,027	687,736	1,299,445	84,672	1,384,117
2.1	Financial assets held for trading		589,709	98,027	687,736	1,299,445	84,672	1,384,117
2.1.1	Public sector debt securities		77,774	12,660	90,434	642,579	12,268	654,847
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		511,935	85,367	597,302	656,866	72,404	729,270
2.1.4	Other marketable securities		-	-	-	-	-	-
2.2	Financial assets classified at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Share certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(I-3)	595,903	409,246	1,005,149	80,615	379,970	460,585
IV.	MONEY MARKET PLACEMENTS		550,207	-	550,207	245	-	245
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		550,207	-	550,207	245	-	245
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	4,309,078	179,193	4,488,271	4,267,827	141,058	4,408,885
5.1	Share certificates		21,035	96	21,131	19,695	100	19,795
5.2	Public sector debt securities		4,288,043	112,732	4,400,775	4,246,912	119,574	4,366,486
5.3	Other marketable securities		-	66,365	66,365	1,220	21,384	22,604
VI.	LOANS AND RECEIVABLES	(I-5)	37,881,781	8,627,407	46,509,188	31,410,241	8,233,107	39,643,348
6.1	Loans and receivables		37,480,900	8,624,762	46,105,662	31,070,196	8,231,279	39,301,475
6.1.1	Loans to Risk Group of the Bank		78,295	3	78,298	10,785	7,849	18,634
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		37,402,605	8,624,759	46,027,364	31,059,411	8,223,430	39,282,841
6.2	Non-performing loans		1,120,411	86,123	1,206,534	868,121	72,593	940,714
6.3	Specific provisions (-)		719,530	83,478	803,008	528,076	70,765	598,841
VII.	FACTORING RECEIVABLES	(I-17)	884,634	448,288	1,332,922	641,838	450,849	1,092,687
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-6)	317,360	-	317,360	292,956	-	292,956
8.1	Public sector debt securities		317,360	-	317,360	292,956	-	292,956
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-7)	-	-	-	-	-	-
9.1	Accounted for under equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		-	-	-	-	-	-
9.2.1	Financial investments		-	-	-	-	-	-
9.2.2	Non-financial investments		-	-	-	-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-8)	-	-	-	-	-	-
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-9)	5	-	5	5	-	5
11.1	Consolidated under equity method		-	-	-	-	-	-
11.2	Unconsolidated		5	-	5	5	-	5
11.2.1	Financial subsidiaries		-	-	-	-	-	-
11.2.2	Non-financial subsidiaries		5	-	5	5	-	5
XII.	FINANCE LEASE RECEIVABLES	(I-10)	-	-	-	-	-	-
12.1	Finance lease receivables		-	-	-	-	-	-
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-11)	60,800	-	60,800	112,182	63	112,245
13.1	Fair value hedge		1,681	-	1,681	56,899	63	56,962
13.2	Cash flow hedge		59,119	-	59,119	55,283	-	55,283
13.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(I-12)	317,199	8,920	326,119	323,348	9,609	332,957
XV.	INTANGIBLE ASSETS (Net)	(I-13)	476,834	873	477,707	475,492	1,332	476,824
15.1	Goodwill		421,124	-	421,124	421,124	-	421,124
15.2	Other		55,710	873	56,583	54,368	1,332	55,700
XVI.	INVESTMENT PROPERTIES (Net)	(I-14)	-	-	-	-	-	-
XVII.	TAX ASSET		109,457	286	109,743	41,122	1,574	42,696
17.1	Current tax asset		3,849	286	4,135	274	1,319	1,593
17.2	Deferred tax asset	(I-15)	105,608	-	105,608	40,848	255	41,103
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-16)	79,466	-	79,466	83,217	-	83,217
18.1	Held for sale		79,466	-	79,466	83,217	-	83,217
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		1,060,677	219,583	1,280,260	889,338	172,539	1,061,877
	TOTAL ASSETS		48,094,898	17,596,964	65,691,862	40,550,170	15,654,086	56,204,256

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Section 5 Note Ref.	Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	27,332,692	13,098,358	40,431,050	24,018,946	11,514,200	35,533,146
1.1 Deposits from Risk Group of the Bank		886,673	1,337,883	2,224,556	1,269,421	624,319	1,893,740
1.2 Other		26,446,019	11,760,475	38,206,494	22,749,525	10,889,881	33,639,406
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	312,605	136,053	448,658	437,878	44,953	482,831
III. FUNDS BORROWED	(II-3)	982,230	9,383,235	10,365,465	1,065,147	6,917,400	7,982,547
IV. MONEY MARKET BALANCES		1,796,098	-	1,796,098	1,083,153	-	1,083,153
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		39,111	-	39,111	20,710	-	20,710
4.3 Funds provided under repurchase agreements	(II-3)	1,756,987	-	1,756,987	1,062,443	-	1,062,443
V. MARKETABLE SECURITIES ISSUED (Net)	(II-3)	696,679	294,904	991,583	710,276	-	710,276
5.1 Bills		696,679	294,904	991,583	507,046	-	507,046
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	203,230	-	203,230
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. SUNDRY CREDITORS		945,501	189,402	1,134,903	966,951	155,761	1,122,712
VIII. OTHER LIABILITIES	(II-4)	1,021,511	3,889	1,025,400	910,875	1,278	912,153
IX. FACTORING PAYABLES	(II-13)	2,502	5,330	7,832	2,942	5,070	8,012
X. FINANCE LEASE PAYABLES	(II-5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-6)	313,870	-	313,870	69,438	-	69,438
11.1 Fair value hedge		11,264	-	11,264	15,616	-	15,616
11.2 Cash flow hedge		302,606	-	302,606	53,822	-	53,822
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(II-7)	980,238	16,186	996,424	826,643	17,788	844,431
12.1 General loan loss provisions		610,851	10,443	621,294	539,624	14,983	554,607
12.2 Restructuring reserve		-	-	-	-	-	-
12.3 Reserve for employee benefits		217,620	2,277	219,897	186,048	2,202	188,250
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		151,767	3,466	155,233	100,971	603	101,574
XIII. TAX LIABILITY	(II-8)	198,901	1,203	200,104	107,782	333	108,115
13.1 Current tax liability		198,901	47	198,948	107,782	333	108,115
13.2 Deferred tax liability		-	1,156	1,156	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-10)	-	1,785,915	1,785,915	-	1,778,323	1,778,323
XVI. SHAREHOLDERS' EQUITY	(II-11)	5,988,356	206,204	6,194,560	5,416,436	152,683	5,569,119
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		699,075	1,035	700,110	714,670	(2,126)	712,544
16.2.1 Share premium		2,565	-	2,565	2,565	-	2,565
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(25,613)	1,035	(24,578)	(100,521)	(2,126)	(102,647)
16.2.4 Tangible assets revaluation differences		91,991	-	91,991	101,391	-	101,391
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment properties revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		527	-	527	527	-	527
16.2.8 Hedging funds (Effective portion)		(60,118)	-	(60,118)	32,185	-	32,185
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		689,723	-	689,723	678,523	-	678,523
16.3 Profit reserves		2,426,458	205,169	2,631,627	1,911,073	154,809	2,065,882
16.3.1 Legal reserves		196,866	-	196,866	170,419	-	170,419
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,927,004	205,169	2,132,173	1,425,595	154,809	1,580,404
16.3.4 Other profit reserves		302,588	-	302,588	315,059	-	315,059
16.4 Profit or loss		651,043	-	651,043	578,313	-	578,313
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		641,546	-	641,546	568,816	-	568,816
16.5 Minority shares	(II-12)	7,390	-	7,390	7,990	-	7,990
TOTAL LIABILITIES AND EQUITY		40,571,183	25,120,679	65,691,862	35,616,467	20,587,789	56,204,256

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENT
AT 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Section 5 Note Ref	Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		49,294,310	50,198,673	99,492,983	41,848,805	43,482,396	85,331,201
I. GUARANTEES	(III-1)	5,409,460	6,690,175	12,099,635	4,752,585	6,943,361	11,695,946
1.1 Letters of guarantee		4,193,036	4,093,358	8,286,394	3,910,749	3,985,049	7,895,798
1.1.1 Guarantees subject to State Tender Law		122,191	109,163	231,354	124,446	47,427	171,873
1.1.2 Guarantees given for foreign trade operations		305,083	295,414	600,497	345,982	101,790	447,772
1.1.3 Other letters of guarantee		3,765,762	3,688,781	7,454,543	3,440,321	3,835,832	7,276,153
1.2 Bank loans		-	62,150	62,150	-	271,178	271,178
1.2.1 Import letter of acceptance		-	62,150	62,150	-	271,178	271,178
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	1,508,547	1,508,547	381	1,688,508	1,688,889
1.3.1 Documentary letters of credit		-	382,477	382,477	381	608,042	608,423
1.3.2 Other letters of credit		-	1,126,070	1,126,070	-	1,080,466	1,080,466
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		1,209,108	593,229	1,802,337	839,960	580,709	1,420,669
1.9 Other collaterals		7,316	432,891	440,207	1,495	417,917	419,412
II. COMMITMENTS	(III-1)	11,237,037	1,507,676	12,744,713	10,230,483	1,318,648	11,549,131
2.1 Irrevocable commitments		11,237,037	1,507,676	12,744,713	10,230,483	1,318,648	11,549,131
2.1.1 Forward asset purchase commitments		221,352	1,467,899	1,689,251	566,850	1,175,708	1,742,558
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	101,194	101,194
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		4,336,448	94	4,336,542	3,853,680	79	3,853,759
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		2,186,510	-	2,186,510	2,002,630	-	2,002,630
2.1.8 Tax and fund liabilities from export commitments		24,189	-	24,189	12,503	-	12,503
2.1.9 Commitments for credit card expenditure limits		4,101,473	-	4,101,473	3,545,841	-	3,545,841
2.1.10 Commitments for promotions related with credit cards and banking activities		5,178	-	5,178	4,451	-	4,451
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		361,887	39,683	401,570	244,528	41,667	286,195
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	32,647,813	42,000,822	74,648,635	26,865,737	35,220,387	62,086,124
3.1 Derivative financial instruments for hedging purposes		10,757,751	328,460	11,086,211	4,200,388	327,712	4,528,100
3.1.1 Fair value hedge		363,480	328,460	691,940	284,354	327,712	612,066
3.1.2 Cash flow hedge		10,394,271	-	10,394,271	3,916,034	-	3,916,034
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		21,890,062	41,672,362	63,562,424	22,665,349	34,892,675	57,558,024
3.2.1 Forward foreign currency buy/sell transactions		3,519,394	4,399,375	7,918,769	3,914,050	4,993,564	8,907,614
3.2.1.1 Forward foreign currency transactions-buy		1,176,887	2,678,599	3,855,486	1,289,744	3,183,977	4,473,721
3.2.1.2 Forward foreign currency transactions-sell		2,342,507	1,720,776	4,063,283	2,624,306	1,809,587	4,433,893
3.2.2 Swap transactions related to f.c. and interest rates		12,929,284	25,000,435	37,929,719	9,993,386	18,150,946	28,144,332
3.2.2.1 Foreign currency swap-buy		4,453,732	12,230,315	16,684,047	3,812,213	6,671,784	10,483,997
3.2.2.2 Foreign currency swap-sell		7,855,634	8,525,662	16,381,296	3,969,991	6,395,332	10,365,323
3.2.2.3 Interest rate swaps-buy		300,000	2,126,718	2,426,718	1,085,790	2,578,291	3,664,081
3.2.2.4 Interest rate swaps-sell		319,918	2,117,740	2,437,658	1,125,392	2,505,539	3,630,931
3.2.3 Foreign currency, interest rate and securities options		5,441,384	12,269,127	17,710,511	8,757,913	11,748,165	20,506,078
3.2.3.1 Foreign currency options-buy		3,286,819	5,630,784	8,917,603	3,969,496	6,256,411	10,225,917
3.2.3.2 Foreign currency options-sell		2,154,565	6,636,019	8,790,584	4,576,617	5,427,292	10,003,909
3.2.3.3 Interest rate options-buy		-	-	-	111,800	32,231	144,031
3.2.3.4 Interest rate options-sell		-	2,324	2,324	100,000	32,231	132,231
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	3,425	3,425	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		138,891,704	20,338,707	159,230,411	119,812,537	22,597,297	142,409,834
IV. ITEMS HELD IN CUSTODY		28,952,363	1,653,942	30,606,305	26,419,033	1,712,075	28,131,108
4.1 Assets under management		1,666,897	20	1,666,917	1,726,150	56	1,726,206
4.2 Investment securities held in custody		16,934,690	410,826	17,345,516	15,714,865	399,512	16,114,377
4.3 Checks received for collection		9,910,466	968,716	10,879,182	8,587,081	879,545	9,466,626
4.4 Commercial notes received for collection		369,231	107,040	476,271	390,735	112,718	503,453
4.5 Other assets received for collection		-	167,340	167,340	103	320,244	320,347
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		71,079	-	71,079	99	-	99
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		109,768,918	18,643,929	128,412,847	93,267,521	20,845,763	114,113,284
5.1 Marketable securities		773,354	16,333	789,687	583,589	19,982	603,571
5.2 Guarantee notes		52,933,771	13,909,835	66,843,606	47,924,350	13,954,626	61,878,976
5.3 Commodity		53,640	211,098	264,738	70,351	166,369	236,720
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		49,443,763	3,131,992	52,575,755	38,664,915	4,912,365	43,577,280
5.6 Other pledged items		6,564,390	1,374,671	7,939,061	6,024,316	1,792,421	7,816,737
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		170,423	40,836	211,259	125,983	39,459	165,442
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		188,186,014	70,537,380	258,723,394	161,661,342	66,079,693	227,741,035

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

III. CONSOLIDATED STATEMENT OF INCOME

	Section 5 Note Ref.	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
I. INTEREST INCOME	(IV-1)	5,379,387	4,171,277
1.1 Interest on loans		4,786,115	3,705,072
1.2 Interest received from reserve deposits		1,775	-
1.3 Interest received from banks		31,953	8,344
1.4 Interest received from money market placements		32,844	11,176
1.5 Interest received from marketable securities portfolio		426,309	364,175
1.5.1 Held-for-trading financial assets		33,714	63,463
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		363,518	292,347
1.5.4 Investments held-to-maturity		29,077	8,365
1.6 Finance lease Income		-	-
1.7 Other interest income	(IV-12)	100,391	82,510
II. INTEREST EXPENSE	(IV-2)	2,704,377	2,106,816
2.1 Interest on deposits		2,247,109	1,757,158
2.2 Interest on funds borrowed		234,947	235,124
2.3 Interest on money market borrowings		141,169	47,987
2.4 Interest on securities issued		55,521	32,288
2.5 Other interest expense		25,631	34,259
III. NET INTEREST INCOME/EXPENSE (I - II)		2,675,010	2,064,461
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		933,158	701,692
4.1 Fees and commissions received		1,369,779	1,024,069
4.1.1 Non-cash loans		123,100	109,303
4.1.2 Other	(IV-12)	1,246,679	914,766
4.2 Fees and commissions paid		436,621	322,377
4.2.1 Non-cash loans		2,069	1,646
4.2.2 Other	(IV-12)	434,552	320,731
V. DIVIDEND INCOME	(IV-3)	1,339	1,761
VI. NET TRADING GAIN/(LOSS)	(IV-4)	(372,359)	66,520
6.1 Securities trading gains/ (losses)		13,098	40,831
6.2 Gains/ (losses) from derivative financial instruments		(843,449)	452,086
6.3 Foreign exchange gains/ (losses)		457,992	(426,397)
VII. OTHER OPERATING INCOME	(IV-5)	209,802	182,270
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		3,446,950	3,016,704
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	575,846	496,196
X. OTHER OPERATING EXPENSES (-)	(IV-7)	2,044,503	1,775,151
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		826,601	745,357
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-8)	826,601	745,357
XVI. TAX PROVISION FOR CONTINUED OPERATIONS(±)	(IV-9)	(184,147)	(174,813)
16.1 Current income tax (charge)/benefit (*)		(246,967)	(71,155)
16.2 Deferred tax (charge)/benefit		62,820	(103,658)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(IV-10)	642,454	570,544
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(IV-8)	-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current income tax (charge)/benefit		-	-
21.2 Deferred tax (charge)/benefit		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(IV-10)	-	-
XXIII. NET PROFIT/LOSS (XVII±XXII)	(IV-11)	642,454	570,544
23.1 Group's profit/loss		641,546	568,816
23.2 Minority shares		908	1,728
Earnings per share		0.2910	0.2580

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED
FOR UNDER EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
I. Additions to marketable securities revaluation differences for available for sale financial assets	109,999	(108,114)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	(12,472)	57,465
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	(115,379)	102,314
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)		
VII. The effect of corrections of errors and changes in accounting policies		
VIII. Other profit loss items accounted for under equity due to TAS (*)	13,964	24,151
IX. Deferred tax of valuation differences (*)	(1,888)	(3,533)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(5,776)	72,283
XI. Profit/Loss	(9,713)	(72,032)
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(9,713)	(72,032)
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	-	-
XII. Total Profit/Loss accounted for the period (X±XI)	(15,489)	251

(*) Minority Shares are included.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited		Paid-in Capital	Effect of Inflation Accounting on Capital and Reserves	Share Premium	Share Certificate Cancellation profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I.	Prior Period - 01.01-31.12.2013																		
	Beginning Balance 31.12.2012	2,204,390	200,262	2,565	-	143,555	-	1,283,027	553,378	-	496,894	55,739	101,391	527	(49,666)	-	4,992,062	7,702	4,999,764
II.	Corrections according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effects of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	2,204,390	200,262	2,565	-	143,555	-	1,283,027	553,378	-	496,894	55,739	101,391	527	(49,666)	-	4,992,062	7,702	4,999,764
	Changes in period																		
IV.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	(V-a)	-	-	-	-	-	-	-	-	-	(158,386)	-	-	-	-	(158,386)	(43)	(158,429)
VI.	Hedging Funds (Effective Portion)	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	81,851	-	81,851	-	81,851
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	81,851	-	81,851	-	81,851
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	(V-c)	-	-	-	-	-	-	57,465	-	-	-	-	-	-	-	-	57,465	57,465
XI.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	19,321	-	-	-	-	-	-	-	19,321	-	19,321
XIX.	Period net income/(loss)	-	-	-	-	-	-	-	-	568,816	-	-	-	-	-	-	568,816	1,728	570,544
XX.	Profit distribution	-	-	-	-	26,864	-	297,377	163,156	-	(487,397)	-	-	-	-	-	-	(1,397)	(1,397)
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,397)
20.2	Transfers to reserves	-	-	-	-	26,864	-	297,377	163,156	-	(487,397)	-	-	-	-	-	-	-	(1,397)
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance 31.12.2013																		
	(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)	2,204,390	200,262	2,565	-	170,419	-	1,580,404	793,320	568,816	9,497	(102,647)	101,391	527	32,185	-	5,561,129	7,990	5,569,119

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

Audited		Effect of Inflation Accounting on Capital and Reserves	Share Cancellation Premium	Share Certificate Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity	
I	Current Period- 01.01-31.12.2014																		
	Beginning balance – 31.12.2013	2,204,390	200,262	2,565	-	170,419	-	1,580,404	793,320	-	578,313	(102,647)	101,391	527	32,185	-	5,561,129	7,990	5,569,119
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences (V-a)	-	-	-	-	-	-	-	-	-	78,069	-	-	-	-	78,069	45	78,114	
IV.	Hedging Funds (Effective Portion) (V-b)	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)	
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)	
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Foreign exchange differences (V-c)	-	-	-	-	-	-	(12,472)	-	-	-	-	-	-	-	(12,472)	-	(12,472)	
IX.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Share premium (V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Other	-	-	-	-	-	9,400	11,201	-	-	-	(9,400)	-	-	-	11,201	(29)	11,172	
XVII.	Period net income/(loss)	-	-	-	-	-	-	-	641,546	-	-	-	-	-	-	641,546	908	642,454	
XVIII.	Profit distribution	-	-	-	-	26,447	-	542,369	-	(568,816)	-	-	-	-	-	-	(1,524)	(1,524)	
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,524)	(1,524)	
18.2	Transfers to reserves	-	-	-	-	26,447	-	542,369	-	(568,816)	-	-	-	-	-	-	-	-	
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Closing Balance 31.12.2014																		
	(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)	2,204,390	200,262	2,565	-	196,866	-	2,132,173	792,049	641,546	9,497	(24,578)	91,991	527	(60,118)	-	6,187,170	7,390	6,194,560

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Section 5 Note Ref	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		2,091,521	1,515,984
1.1.1 Interest received		5,242,198	3,559,819
1.1.2 Interest paid		(2,444,640)	(1,965,628)
1.1.3 Dividend received		-	55
1.1.4 Fees and commissions received		1,996,238	1,214,409
1.1.5 Other income		691,852	597,913
1.1.6 Collections from previously written off loans		445,072	390,110
1.1.7 Payments to personnel and service suppliers		(874,750)	(771,042)
1.1.8 Taxes paid		(172,218)	(117,592)
1.1.9 Others	(VI-1)	(2,792,231)	(1,392,060)
1.2 Changes in operating assets and liabilities		(876,062)	(2,761,426)
1.2.1 Net decrease (increase) in financial assets held for trading		565,077	(195,060)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net decrease (increase) in due from banks and other financial institutions		(83,368)	194,910
1.2.4 Net (increase) in loans		(7,062,956)	(8,930,049)
1.2.5 Net (increase) in other assets	(VI-1)	(1,442,992)	(2,226,953)
1.2.6 Net increase (decrease) in bank deposits		447,534	1,722,359
1.2.7 Net increase in other deposits		5,104,841	4,879,912
1.2.8 Net increase (decrease) in funds borrowed		2,389,200	1,970,433
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(VI-1)	(793,398)	(176,978)
I. Net cash provided from / (used in) banking operations		1,215,459	(1,245,442)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(20,094)	(741,320)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(82,244)	(145,952)
2.4 Fixed assets sales		10,571	1,746
2.5 Cash paid for purchase of financial assets available for sale		(3,905,754)	(6,909,289)
2.6 Cash obtained from sale of financial assets available for sale		3,985,310	6,331,629
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	26,142
2.9 Others	(VI-1)	(27,977)	(45,596)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		282,481	288,616
3.1 Cash obtained from funds borrowed and securities issued		1,604,439	765,060
3.2 Cash used for repayment of funds borrowed and securities issued		(1,321,806)	(476,286)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(152)	(158)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1)	9,874	67,874
V. Net increase / (decrease) in cash and cash equivalents		1,487,720	(1,630,272)
VI. Cash and cash equivalents at beginning of the period	(VI-2)	1,951,502	3,581,774
VII. Cash and cash equivalents at end of the period	(VI-2)	3,439,222	1,951,502

The accompanying notes are an integral part of these financial statements

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. PROFIT DISTRIBUTION TABLE

	Current Audited Period 31.12.2014(*)	Prior Audited Period 31.12.2013(*)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1 Corporate tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	-	-
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) The Bank can not distribute profit .

The accompanying notes are an integral part of these financial statements

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands o Turkish Lira (“TL”).)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Parent Bank prepares its financial statements and notes according to Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS) enacted by Public Oversight Accounting and Auditing Standards Authority (POA), Turkish Financial Reporting Standards (TFRS) and related additions and comments (all “Turkish Financial Reporting Standards or TFRS) to , other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No.28337 dated June 28, 2012.

The prior period financial statements are prepared in line with the principles of TAS Board No:1 “Fundamentals of Preparing and Presenting Financial Statements” published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting issued by the BRSA. Certain reclassifications have been made to the prior year financial statements in order to comply with the current year presentation whenever required.

Additional paragraph for convenience translation into English:

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

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and even small individual investors in line with Banking Legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Treasury Asset-Liability Management using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank’s hedging activities for the currency risk due to foreign currency available-for-sale equity instruments are described under the Currency Risk section; and the Parent Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

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**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions
(Continued)**

The Parent Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank’s balance sheet structure.

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions realized during the year are reflected to the income statement. Foreign currency assets and liabilities at each period-end are translated into Turkish lira at the period-end foreign exchange buying rates and the resulting foreign exchange gains or losses are recorded in the income statement as foreign exchange gain or loss. The EUR and USD exchange rates used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of 31 December 2014 are TL2.8144 in full TL per EUR and TL2.3244 in full TL per USD, respectively (31 December 2013: Euro 2.9346 in full TL, while the USD exchange rate is TL2.1297 in full TL).

There are no capitalized foreign exchange differences.

The information regarding the principles of foreign currency risk management are stated in Section Four, Note III.

There are no debt securities issued. Foreign exchange gains and losses arising from translating monetary financial assets are reflected to “Foreign Exchange Gains / (Losses) in the income statement.

The foreign currency net investment in consolidated foreign subsidiaries are translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and the year end average exchange rate for their income statement items. The currency translation loss arising from the consolidated subsidiaries’ inflation and devaluation differences amounting to TL12,472 (31 December 2013: TL57,465 foreign exchange difference gain on currency translation) foreign exchange difference has been recorded in “Other Profit Reserves” under shareholders’ equity.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Bank, with no difference in practice between TAS and IFRS, and also the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, The Economy Bank N.V. (Economy Bank), Stichting Effecten Dienstverlening (Stichting), Kronenburg Vastgoed B.V. (Kronenburg), TEB Finansal Kiralama A.Ş. (TEB Leasing), TEB Faktoring A.Ş. (TEB Faktoring), Fortis Faktoring A.Ş. (Fortis Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method.

The merger process of Fortis Faktoring A.Ş. and TEB Faktoring A.Ş., which is 100% owned the Bank, had been commenced and the Sale and Purchase Agreement signed on 31 January 2013 for the purpose of the completion of the share transfer prior to the merger. Pursuant to the Sale and Purchase Agreement, following the receipt of necessary legal approvals the share transfer completed and the Bank has become an indirect shareholder of 100% shares in Fortis Faktoring A.Ş. on 22 March 2013. Approval from Banking Regulation and Supervision Agency regarding merger of Fortis Faktoring with TEB Faktoring by way of acquisition, whereby all the assets and liabilities of Fortis Faktoring shall be transferred to TEB Faktoring as a whole, has been obtained on 20 June 2013. Merger of TEB Faktoring and Fortis Faktoring has been completed upon registration of the said merger to the Istanbul Trade Registry on 1 July 2013.

The accompanying consolidated financial statements are prepared in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated November 8, 2006 numbered 26340. The Parent Bank and the entities included in the consolidation are referred to as “the Group” in this report.

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III. Information about the Parent Bank and its Consolidated Subsidiaries(Continued)

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

<u>Commercial Name</u>	<u>Head Office</u>
Economy Bank	Netherlands
Stichting	Netherlands
Kronenburg	Netherlands
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy	Turkey

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as 31 December 2014 and 31 December 2013.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

Fair values of foreign currency forward and swap transactions are determined by comparing the period end Bank foreign exchange rates with the contractual forward rates discounted to the balance sheet date with the prevailing current market rates. The resulting gain or loss is reflected to the income statement.

In the assessment of fair value of interest rate swap instruments, interest amounts to be paid or to be received due to/from the fixed rate on the derivative contract are discounted to the balance sheet date with the current applicable fixed rate in the market that is prevailing between the balance sheet date and the interest payment date, whereas interest amounts to be paid or to be received due to/from the floating rate on the derivative contract are recalculated with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date and are discounted to the balance sheet date again with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date. The differences between the fixed rate interest amounts and floating rate interest amounts to be received/paid are recorded in the profit/loss accounts in the current period.

The fair value of call and put option agreements are measured at the valuation date by using the current premium values of all option agreements, and the differences between the contractual premiums received/paid and the current premiums measured at valuation date are recognized in the statement of income.

Futures transactions are valued on a daily basis by the primary market prices and related unrealized gains or losses are reflected in the income statement.

The Parent Bank has adopted fair value and cash flow hedge accounting in order to avoid the effects of fair value and cash flow risks. The Parent Bank documents relations between hedging instrument and hedged item on transaction date, in conjunction with strategies on objectives of the Parent Bank's risk management and hedging transactions for hedging purposed transactions. Besides, the Parent Bank that effectively values fair value changes of hedged items that are balanced by derivative transactions for hedging purposes documented regularly. In case that the hedging transactions do not meet the hedging accounting conditions, adjustments to fair value of hedged item, which are rediscounted within days to maturity, are reflected in Income Statement.

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IV. Explanations on Forward and Option Contracts and Derivative Instruments (Continued)

While the Parent Bank recognizes the fair value changes of the hedged items in the “other interest income” and “other interest expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “gains/(losses) from derivative financial instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “other interest income” and “other interest expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments whose cash inflows and outflows are known on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Explanations on Fees and Commission Income and Expenses

Fees for various banking services are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses using the effective interest rate and are expensed on the related periods.

The dividend income is reflected to the financial statements on a cash basis when the profit distribution is realized by the associates and subsidiaries.

VII. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Risks related to these activities form a significant part among total risks the Parent Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Parent Bank’s balance sheet in all respects. The Parent Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the Group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

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VII. Explanations on Financial Assets (Continued)

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these assets approximates their fair values.

Financial Assets at Fair Value Through Profit and Loss

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

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as “Impairment Provision on Marketable Securities”.

Held to Maturity Investments and Financial Assets Available for Sale

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability other than loans and receivables.

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

Marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Valuation Differences” under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair value of these securities is determined using the prices declared in the Official Gazette or other valuation methods stated in TAS.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

The Group classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

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VII. Explanations on Financial Assets (Continued)

Loans and Provisions for Impairment

Loans are financial assets those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

The Group initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Group’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. Reversals of specific provisions which are allocated in earlier periods are booked in “Other Operating Income”. Income realized through the sale of non-performing loans are booked in “Other Operating Income” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Parent Bank records general loan loss provisions for loans and other receivables.

The Parent Bank has reflected in related period financial statements the general provision difference calculated for standard and under close monitoring loans with the mentioned ratios and provided until 31 December 2015 according to change in paragraph 7, article 1 of Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” dated 21 September 2012, numbered 28418.

Specific provisions are provided by TEB Faktoring based on the Communiqué on “Uniform Accounting Plan and Registration Statement to be applied by Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No: 28861 on 24 December 2013.

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VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when a party has a legally enforceable right to set off, the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

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

The sales and purchase of government securities under repurchase agreements made with the customers are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts by the Group. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of 31 December 2014, the Group has reverse repo amounting to TL550,207 (31 December 2013: TL245).

As of 31 December 2014, the Group does not have any marketable securities lending transaction (31 December 2013: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

As of 31 December 2014, assets held for sale of the Group are TL79,466 (31 December 2013: TL83,217). As per the appraisals performed for the real estate’s held for sale included “Assets Held for Sale” in the financial statements, TL2,064 (31 December 2013: TL4,961) has been reserved as provision for impairment losses.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

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XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to Istanbul Trade Registry.

Within the framework of TFRS 3 “Business Combination”, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder's equity section.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly softwares. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Softwares used are mainly developed within the Parent Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

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XIII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as fifty years.

Other tangible fixed assets are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted proportionately. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Motor vehicles	10-20
Furniture, fixtures and office equipment and others	2-50

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

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

The Parent Bank employs independent appraisers in determining the current fair values of its real estates when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist of only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Parent Bank’s period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, depreciation expense is recorded for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" by taking the useful lives into account.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Group does not have any leasing transactions as “Lessor”.

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XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Group’s best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding Specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”.

The inspection of the Competition Board that was conducted to determine whether active 12 banks in Turkey are in agreement and concerted practice in loan and credit card services sector and thus violated Article 4 of the Law on Protection of Competition, no 4054 was completed on March 8, 2013. As a result of inspection, it has been agreed by a majority to impose an administrative fine of TL10,669 to the Parent Bank on the condition that the decision can be appealed against before Ankara Administrative Court. The penalty paid as TL8,002 on 22 July 2013 as three fourths of the main penalty as per Article 17 of the Misdemeanors Law, no 5326, was paid on 16 August 2013. The Parent Bank filed the annulment action over the file no.2014/7E Ankara 2nd Administrative Court against the decision about the administrative fines imposed by Competition Board at Ankara Administrative Court on 19 September 2013 and the case has been continuing.

XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 “Turkish Accounting Standard on Employee Benefits”.

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Parent Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2014 is TL101,658 (31 December 2013: TL89,348).

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2014, actuarial profit amounting to TL11,201 (1 January - 31 December 2013: TL19,321 actuarial profit) was classified as “Other Comprehensive Income” and as of 31 December 2014, a total of TL19,553 (31 December 2013: TL8,354 actuarial profit) actuarial profit was accounted under “Other Reserves”.

	31 December 2014	31 December 2013
Discount Rate (%)	8.60	9.92
Expected Inflation Rate (%)	5.00	6.45
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

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XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)

Employees transferred to the Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2014, the Pension Fund has 2,166 employees and 959 pensioners (31 December 2013: 2,401 employees and 918 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 08 April 2013 issued in the Official Gazette No:28636 on 3 May 2013.

According to the related regulation, all other outstanding social rights and payments of participants (even though they are covered in their respective settlement deed) shall be covered by the companies employing pension fund participants following the transfer of the pension fund participants and/or those that are paid annuities and their beneficiaries to the Social Security Institution.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2014. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Defined Contribution Plans

Based on the decision of the Foundation’s Extraordinary General Assembly and approval by the Board of Directors of the Bank, Güvenlik Vakfı a second foundation whose members joined the bank after the merger with Fortis Bank, transferred the retirement commitments to Individual Pension System after necessary legal procedures has been completed at 31 March 2014. From this date on, contributions by the bank to the Güvenlik Vakfı has been ended.

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XVII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20%.

The corporate tax in Holland is 25% for Economy Bank.

The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

75% of participation shares held at least for two years and 75% of sale proceeds of real estate, to the extent that they are included in capital as required in Corporate Tax Law or they are retained in a special fund liability account for 5 years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Liability / Asset

The Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of 31 December 2014 and 31 December 2013, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Parent Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis in the standalone financial statements of the consolidated subsidiaries.

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax income has been presented on statement of profit and loss amounting to TL62,820 (31 December 2013: TL103,658 deferred tax expense). Portion of deferred tax accounted for under equity related to valuation differences which is presented in the table below has been netted and presented within relevant accounts in statement of profit and loss accounted for under equity.

	Current Period	Prior Period
Available-for-sale financial assets	(19,789)	39,852
Cash flow hedge	23,076	(20,463)
Actuarial profit or loss	(2,793)	(4,830)
Total	494	14,559

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

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XVIII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

Debt securities issued by the Bank are accounted at amortized cost using effective interest rate method.

The Parent Bank has not issued convertible bonds.

XIX. Explanations on Issued Share Certificates

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to Istanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Parent Bank is increased from TL1,400,000 to TL2,204,390, and the issued capital of the Parent Bank is increased by TL1,104,390 from TL1,100,000 to TL2,204,390.

XX. Explanations on Acceptances

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

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Group.

XXII. Explanations on Reporting According to Segmentation

The details of the income statement and the balance sheet which the group operates as a business lane according to organizational:

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net interest income	374,180	315,724	893,452	1,091,655	(1)	2,675,010
Net fees and commissions income and other operating income	246,054	179,920	430,871	288,010	(1,895)	1,142,960
Trading profit/loss	269	755	(1,005)	(372,378)	-	(372,359)
Dividend income	-	-	-	20,528	(19,189)	1,339
Impairment provision for loans and other receivables (-)	145,306	41,893	283,474	105,173	-	575,846
Other operating expenses (-)	353,185	77,048	458,668	1,157,497	(1,895)	2,044,503
Profit before taxes	122,012	377,458	581,176	(234,855)	(19,190)	826,601
Tax provision (-)	-	-	-	184,147	-	184,147
Net profit for the period	122,012	377,458	581,176	(419,002)	(19,190)	642,454

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Segment assets	11,335,554	12,557,264	20,839,272	21,016,717	(56,950)	65,691,857
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	184,177	(184,172)	5
Total Assets	11,335,554	12,557,264	20,839,272	21,200,894	(241,122)	65,691,862
Segment liabilities	23,050,692	11,876,649	6,826,822	17,800,445	(57,306)	59,497,302
Shareholders' equity	-	76,941	297,028	6,004,407	(183,816)	6,194,560
Total Liabilities	23,050,692	11,953,590	7,123,850	23,804,852	(241,122)	65,691,862

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XXII. Explanations on Reporting According to Segmentation (Continued)

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net interest income	320,205	289,061	759,062	696,133	-	2,064,461
Net fees and commissions income and other operating income	187,970	165,932	251,097	285,777	(6,814)	883,962
Trading profit / loss	(442)	(3,050)	(1,271)	71,283	-	66,520
Dividend income	-	-	-	5,970	(4,209)	1,761
Impairment provision for loans and other receivables (-)	160,378	3,433	112,020	220,365	-	496,196
Other operating expenses (-)	292,867	70,432	406,179	1,012,487	(6,814)	1,775,151
Profit before taxes	54,488	378,078	490,689	(173,689)	(4,209)	745,357
Tax provision (-)	-	-	-	174,813	-	174,813
Net profit for the period	54,488	378,078	490,689	(348,502)	(4,209)	570,544

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Segment assets	9,541,184	11,016,982	17,004,574	18,729,125	(87,614)	56,204,251
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	174,798	(174,793)	5
Total Assets	9,541,184	11,016,982	17,004,574	18,903,923	(262,407)	56,204,256
Segment liabilities	19,520,348	11,337,393	5,934,189	13,931,182	(87,975)	50,635,137
Shareholders' equity	-	78,792	293,080	5,371,679	(174,432)	5,569,119
Total Liabilities	19,520,348	11,416,185	6,227,269	19,302,861	(262,407)	56,204,256

XXIII. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 25 March 2014 of the Parent Bank, TL535,048 that constitutes the 2013 net balance sheet profit shall be transferred to the extraordinary reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL26,752 as legal reserves, TL0.43(full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.05(full TL) as legal reserves.

XXIV. Classifications

In the current year, the Grup has classified reversals in current period from specific provisions which are booked in “Loans and Other Receivable Provision” in prior periods and selling past due receivables portfolio. To conform to changes in presentation of the financial statements the bank has made reclassifications amounting to TL88,867 between related accounts in the income statement as of 31 December 2013.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 6 September 2014 and Official Gazette numbered 29111 and "Communiqué on Equities of Banks" published on 5 September 2013 in the Official Gazette numbered 28756. The Group's consolidated capital adequacy ratio is occurred 13.79% (31 December 2013: 13.99%) in accordance with the related Communiqué as of 31 December 2014.

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting data which is included in the calculation of credit and market risks classified as "Trading Accounts" and "Banking Accounts" according to the Regulation, is used.

The values deducted from the capital base in the shareholders' equity computation are excluded in calculation of risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

Counterparty receivables related to non-cash loans is multiplied with the loan conversion rates presented in article 5 of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and risk mitigation is applied in accordance with "Communiqué on Credit Risk Mitigation Techniques", calculated by applying the risk weights presented in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In calculation of the basis of the value at credit risk for the derivative financial instruments and the receivables from counterparties indicated on the bank accounting are multiplied by the rates presented in the Appendix-2 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", is subjected to risk reduction presented in "Communiqué on Credit Risk Mitigation Techniques" and then included in the relevant exposure category presented in the article 6 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and weighted to risk weight classification indicated as per Appendix-1 of the Regulation.

According to the Clause 7 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" presented in the article 5 of the regulation, "counterparty credit risk" is calculated for repurchase transactions, marketable securities and commodity market transactions.

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the capital adequacy ratio:

	Risk Weight										
	Consolidated										
Current Period - 31.12.2014	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	
Value at Credit Risk Exposure Categories											
Conditional and unconditional receivables from central governments or central bank	14,075,631	-	59,095	63,839	-	215,542	-	-	105,252	-	-
Conditional and unconditional receivables from regional or local Governments	-	-	346,119	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international Organizations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage Houses	-	-	1,667,866	1,073,242	-	917,224	6,854	-	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	22,008,952	-	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	19,804,474	407,034	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	5,848,221	-	-	-	-	-	-	-
Past due receivables	-	-	-	20,149	-	263,983	125,331	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	7,753	-	2,127	1,526,331	2,715,622	1,705	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
Other receivables	770,711	-	29,849	-	2	1,161,546	-	-	-	-	-
Total Value at Risk	14,846,342	-	2,102,929	7,013,204	19,804,476	24,976,410	1,658,516	2,715,622	106,957	-	-
Total Risk Weighted Assets	-	-	420,586	3,506,602	14,853,357	24,976,410	2,487,774	5,431,244	267,393	-	-

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the capital adequacy ratio: (Continued)

Prior Period - 31.12.2013	Risk Weight										
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	
Value at Credit Risk Exposure Categories											
Conditional and unconditional receivables from central governments or central bank	10,830,881	-	-	-	-	276,134	-	-	-	-	-
Conditional and unconditional receivables from regional or local Governments	-	-	284,303	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	4,286	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international Organizations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage Houses	-	-	1,171,290	1,019,215	-	944,301	18,173	-	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	21,653,661	-	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	12,092,627	-	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,762,102	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	330,498	16,923	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	568,702	1,249,767	2,775,002	40,018	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
Other receivables	680,116	-	13,553	-	-	2,453,886	-	-	-	-	-
Total Value at Risk	11,510,997	-	1,469,146	5,781,317	12,092,627	26,231,468	1,284,863	2,775,002	40,018	-	-
Total Risk Weighted Assets	-	-	293,829	2,890,659	9,069,470	26,231,468	1,927,295	5,550,004	100,045	-	-

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Summary information related to the consolidated capital adequacy ratio:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	4,155,469	3,685,022	3,965,965	3,488,023
Capital Requirement for Market Risk (CRMR)	78,051	88,399	59,032	69,240
Capital Requirement for Operational Risk CROR (*)	357,590	319,382	337,591	300,586
Total Capital	7,914,108	7,156,976	7,614,824	6,860,593
Total Capital /((CRCR+CRMR+CROR)*12.5)*100	13.79	13.99	13.96	14.23
Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	10.25	-	10.26	-
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	10.25	-	10.26	-

(*) Operational risk has been calculated by using the Basic Indicator Approach.

Information related to the components of shareholders' equity:

	Current Period 31.12.2014
Core Capital	
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652
Share Premium	2,565
Share Cancellation Profits	-
Reserves	3,072,305
Income recognized under equity in accordance with TAS	91,991
Profit	651,043
Current Period's Profit	641,546
Prior Period's Profit	9,497
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527
Minority Shares	5,763
Common Equity Tier 1 Capital Before Deductions	6,228,846
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	24,578
Leasehold Improvements on Operational Leases (-)	80,037
Goodwill and intangible asset and the related deferred tax liability (-)	241,105
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from common equity tier 1 Capital	345,720
Total Common Equity Tier 1 Capital	5,883,126

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the components of shareholders' equity: (Continued)

	Current Period 31.12.2014
Additional Tier 1 Capital	-
Premiums that are not included in Common Equity Tier 1 capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	232,440
Third parties shares in Additional Tier 1 Capital	41
Additional Tier 1 Capital before deductions	232,481
Deductions from Additional Tier 1 Capital	-
Banks a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA(-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	232,481
Deductions From Tier 1 Capital	-
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	232,440
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	5,883,167
Tier 2 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	1,419,147
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	621,294
Third parties share in Tier 2 capital	55
Tier 2 Capital Before Deductions	2,040,496
Deductions From Tier 2 Capital	-
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common EquityTier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA(-)	-
Total Deductions From Tier 2 Capital	-
Tier 2 Capital	2,040,496

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the components of shareholders' equity: (Continued)

	Current Period 31.12.2014
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	7,923,663
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	6,347
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years(-)	3,192
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	16
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-
TOTAL CAPITAL	7,914,108
Amounts below deduction thresholds	-
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	9,226
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability)	105,608

Information related to the components of shareholders' equity:

	Parent Bank		Consolidated	
	Amount to be considered in equity calculation in current period	Total	Amount to be considered in equity calculation in current period	Total
Minority shares in Common Equity Tier 1 Capital	-	-	5,763	7,269
Third parties in Additional Tier 1 Capital	-	-	-	-
Third parties in Tier 2 Capital	-	-	-	-
Bank's borrowing instruments and related premium (issued before 1.1.2014) (*)	1,651,587	1,651,587	1,651,587	1,651,587

(*) Borrowing items that are not possessed to Communiqué on Equities of Banks (article 7 and 8) will be deducted 10% for each year as of 1 January 2015.

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the components of prior period shareholders' equity:

	Prior Period 31.12.2013
CORE CAPITAL	
Paid-in Capital	2,204,390
Nominal Capital	2,204,390
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	200,262
Share Premium	2,565
Share Cancellation Profits	-
Reserves	2,495,360
Inflation Adjustments to Reserves	-
Profit	578,313
Current Period's Profit	568,816
Prior Period's Profit	9,497
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	101,391
Primary Subordinated Debts	212,970
Minority Shares	8,037
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Period's Losses	-
Leasehold Improvements on Operational Leases (-)	77,281
Intangible Assets (-)	55,700
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Consolidation Goodwill	421,124
Total Core Capital	5,249,183
SUPPLEMENTARY CAPITAL	
General Provisions	554,607
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527
Primary Subordinated Debts excluding the portion included in Core Capital	-
Secondary Subordinated Debts	1,462,838
45% of Securities Value Increase Fund	(102,647)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-
Minority Shares	(47)
Total Supplementary Capital	1,915,278
CAPITAL	7,164,461
DEDUCTIONS FROM CAPITAL	7,485
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	6,763
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	631
Securitization Positions to be Deducted from Equity	-
Other Deduction Items	91
TOTAL SHAREHOLDER'S EQUITY	7,156,976

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I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the components of shareholders' equity:

Issuer	IFC	IFC	BNP Paribas	BNP Paribas	EBRD	BNP Paribas	EBRD
Unique identifier (eg CUSIP, ISIN)	-	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315	XS0947781828
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
Regulatory treatment							
Subject to 10% deduction as of 1/1/2015	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available	Available
Instrument type	Credit	Credit	Borrowing	Borrowing	Borrowing	Borrowing	Borrowing
Amount recognised in regulatory capital (TL Currency in mil, as of most recent reporting date)	232.4	-	483.7	281.4	151.1	351.8	151.1
Par value of instrument (TL Currency in mil)	232.4	116.2	492.5	281.4	151.1	351.8	151.1
Accounting classification	34700001	34701030	34701100	34701100	34701100	34701100	34701100
Original date of issuance	31.07.2007	29.06.2005	04.11.2011	20.07.2012	14.05.2012	27.06.2013	28.06.2013
Perpetual or dated	Demand	Time	Time	Time	Time	Time	Time
Original maturity date	Demand	15.07.2015	04.11.2023	20.07.2024	14.05.2024	27.06.2023	28.06.2023
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	31.07.2017	15.07.2010	04.11.2018	20.07.2019	14.05.2019	27.06.2018	28.06.2018
Subsequent call dates, if applicable	-	-	-	-	-	-	-
Coupons / dividends							
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 3.5%	LIBOR + 3.18%	Euribor+4.75%	Euribor+4.75%	LIBOR + 5.75%	Euribor + 2.10%	LIBOR + 3.40%
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Available	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Convertible or non-convertible							
Repayment option (*)							
If convertible, fully or partially	Fully	-	-	-	-	-	-
If convertible, conversion rate	(*)	-	-	-	-	-	-
If convertible, mandatory or optional conversion	Optional	-	-	-	-	-	-
If convertible, specify instrument type convertible into	Share	-	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	TEB	-	-	-	-	-	-
Write-down feature							
If write-down, write-down trigger(s)	-	-	-	-	-	-	-
If write-down, full or partial	-	-	-	-	-	-	-
If write-down, permanent or temporary	-	-	-	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	tier 2 debt instruments	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess	Not Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (**)	Article 7/2 (ç), (f), (i), (j)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)

(*) The additional tier 1 borrowing obtained from IFC on 31 July 2007 was structured in such a manner that entitle IFC to convert the borrowing to common shares in case of not paying back on 31 July 2017, at call option date. Conversion ratio will be calculated through valid market data if right is exercised.

(**) Under article 7/2; in subsection Ç, clauses on step-up and incentive to redeem; in subsection F delegating to the bank about cancellation of interest and dividend payment; in subsection İ and J conditions of conversion to common shares and write-down are stated. Under article 8/2 in subsection Ğ mechanism of write-down or conversion to common shares are stated.

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(Unless otherwise stated amounts are expressed in thousands o Turkish Lira (“TL”))

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio (Continued)

Information related to the components of shareholders' equity:

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

According to defination and evaluation not to be exposed to risk at present or in the future , The Bank has created “Internal Capital Adequacy Evaluation Process” in order to provide development and implementation of proper risk management techniques aimed at reviewing and managing risks at issue , and providing sufficient capitalization to compensate risks at issue. Planning and performing the Evaluation Process responsibilities belongs to Group Risk Management (GRM) in accordance with article 56 of "Communiqué on Banks’ Internal Control and Risk Management Systems ". GRM includes contribution of Internal Audit, Internal Control and Department of Financial Affairs to demand and process to provide optimum comprehensive approach of Evaluation process. Evaluation process that is included countable and uncountable risks is risk-oriented and prudential, and constitutes a clearly connection between risk types and required capital level. Risk types considered on Evaluation Process is defined on the Evaluation Report and Risk Managemet Regulation.

Process and Evaluation Report is submitted to Board of Directors after being approved by Risk Policies Committe and Audit Committee

II. Explanations Related to the Consolidated Credit Risk

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

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

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

As prescribed in the Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 28906 dated 7 February 2014; Non-required delay time Loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as Non-Performing Loan in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as impaired receivables without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Parent Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

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II. Explanations Related to the Consolidated Credit Risk(Continued)

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or central banks	14,428,198	13,615,084
Conditional and unconditional receivables from regional or local governments	381,286	351,273
Conditional and unconditional receivables from administrative units and non-commercial enterprises	2	1,161
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,683,014	3,935,884
Conditional and unconditional corporate receivables	23,082,341	24,233,341
Conditional and unconditional retail receivables	20,656,917	16,974,515
Conditional and unconditional secured mortgage receivables	5,848,221	5,343,898
Past due receivables	410,450	390,394
Receivables in high risk category defined by BRSA	4,253,538	4,165,801
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,962,166	1,875,413

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the average of balances on quarterly prepared to the end of the month.

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II. Explanations Related to the Consolidated Credit Risk (Continued)

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

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

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2014, the receivables of the Bank from its top 100 and top 200 cash loan customers amount to TL5,072,322 and TL7,176,594 and share in total cash loans respectively 11.09% and 15.65%.

As of 31 December 2014, the receivables of the Group from its top 100 ve top 200 non-cash loan customers amount to TL4,571,693 and TL5,802,268 with a share of 37.78% and 47.95% respectively in the total non-cash loans.

As of 31 December 2014, the share of cash and non-cash receivables of the Bank from its top 100 ve top 200 loan customers in total balance sheet and off-balance sheet assets is 4.46% and 6.31% respectively.

As of 31 December 2014, the general loan loss provision related with the credit risk taken by the Bank is TL621,294 (31 December 2013: TL554,607).

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Central Bank of Turkey	7,666,370	6,117,942
Due from banks	1,005,149	460,585
Other money markets	550,207	245
Trading financial assets	90,434	654,847
Derivative financial instruments held for trading	597,302	729,270
Derivative financial instruments for hedging purposes	60,800	112,245
Financial assets available-for-sale	4,488,271	4,408,885
Held-to-maturity investments	317,360	292,956
Loans (*)	47,842,110	40,736,035
Total	62,618,003	53,513,010
Contingent liabilities	12,099,635	11,695,946
Commitments	12,744,713	11,549,131
Total	24,844,348	23,245,077
Total credit risk exposure	87,462,351	76,758,087

(*) Loans included factoring receivables amounting to TL1,332,922 (31December 2013: TL1,092,687).

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Credit quality per class of financial assets as of 31 December 2014 and 31 December 2013 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans and receivables			
Commercial loans	30,323,337	1,372,120	31,695,457
Consumer loans	11,451,372	710,433	12,161,805
Credit cards	2,386,647	143,513	2,530,160
Other loans	121,766	-	121,766
Total	44,283,122	2,226,066	46,509,188

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans and receivables			
Commercial loans	25,454,682	1,071,844	26,526,526
Consumer loans	9,747,452	632,355	10,379,807
Credit cards	2,463,627	199,344	2,662,971
Other loans	74,044	-	74,044
Total	37,739,805	1,903,543	39,643,348

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans and receivables		
Commercial loans	740,105	609,055
Consumer loans	233,525	440,937
Credit cards	2,295	3,642
Total	975,925	1,053,634

Credit Rating System

The credit risk is assessed through the internal rating system of the TEBCORE, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2014, consumer loans and business loans are excluded from the internal rating system of the Parent Bank and those loans are about 39.57% of total loan portfolio.

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

Category	Description of Category	Share in the Total %
1 st Category	The borrower has a very strong financial structure	35.54
2 nd Category	The borrower has a good financial structure	27.68
3 rd Category	The borrower has an intermediate level of financial structure	31.96
4 th Category	The financial structure of the borrower has to be closely monitored in the medium term	4.82
Total		100.00

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Profile of significant exposures in major regions:

	Exposure Categories																Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	
Current Period																	
Domestic	370,604	75,622	-	-	-	1,322,636	16,791,629	13,512,717	2,854,301	478,321	7,615,519	-	-	-	-	1,067,822	44,089,171
European Union (EU) Countries	43,738	-	-	-	-	168,757	421,606	11,831	1,708	9	6,659	-	-	-	-	29,741	684,049
OECD Countries (*)	-	-	-	-	-	64,787	72,814	2,008	460	-	1,248	-	-	-	-	-	141,317
Off-Shore Banking Regions	108,069	-	-	-	-	3,990	181,699	30,948	26,710	2,245	76,211	-	-	-	-	326	430,198
USA, Canada	-	-	-	-	-	-	44,609	173	-	-	-	-	-	-	-	-	44,782
Other Countries	-	-	-	-	-	22,040	73,442	933	1,137	-	1,797	-	-	-	-	-	99,349
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	636	2	-	-	235,767	5,496,540	2,037,006	39,794	-	29,573	-	-	-	-	69,687	7,909,005
Total	522,411	76,258	2	-	-	1,817,977	23,082,339	15,595,616	2,924,110	480,575	7,731,007	-	-	-	-	1,167,576	53,397,871

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

(**) Includes assets and liability items that can not be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Profile of significant exposures in major regions:

	Exposure Categories																Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	
Prior Period																	
Domestic	49,748	56,531	-	-	-	1,059,789	17,247,053	7,344,065	2,317,559	353,848	8,062,169	-	-	-	-	2,245,884	38,736,646
European Union (EU) Countries	83,561	-	-	-	-	136,940	443,384	5,530	67	260	-	-	-	-	-	21,985	691,727
OECD Countries (*)	-	-	-	-	-	103,747	108,614	-	-	-	-	-	-	-	-	780	213,141
Off-Shore Banking Regions	142,825	-	-	-	-	20,982	123,107	28,479	18,812	26	-	-	-	-	-	-	334,231
USA, Canada	-	-	-	-	-	-	7,558	126	-	-	-	-	-	-	-	-	7,684
Other Countries	-	-	-	-	-	78,712	152,604	6,519	759	1,749	-	-	-	-	-	-	240,343
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	631	4,286	-	-	376,299	4,743,019	1,854,630	43,853	-	31,621	-	-	-	-	205,603	7,259,942
Total	276,134	57,162	4,286	-	-	1,776,469	22,825,339	9,239,349	2,381,050	355,883	8,093,790	-	-	-	-	2,474,252	47,483,714

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

(**) Includes assets and liability items that can not be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Risk profile by Sectors or Counterparties:

Current Period	Exposure Categories														Others	TL(*)	FC	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates					Exposures in the form of collective investment undertakings
Agriculture	-	-	-	-	-	-	1,090,987	1,052,885	219,959	27,406	1,953	-	-	-	-	-	2,202,810	190,380	2,393,190
Farming and Stockbreeding	-	-	-	-	-	-	1,059,745	1,038,581	216,788	27,257	1,612	-	-	-	-	-	2,161,911	182,072	2,343,983
Forestry	-	-	-	-	-	-	8,470	1,381	-	80	-	-	-	-	-	-	9,590	341	9,931
Fishery	-	-	-	-	-	-	22,772	12,923	3,171	69	341	-	-	-	-	-	31,309	7,967	39,276
Manufacturing	-	1	-	-	-	-	12,906,569	4,996,388	472,910	142,911	70,506	-	-	-	-	-	11,906,733	6,682,552	18,589,285
Mining and Quarrying	-	-	-	-	-	-	638,474	293,229	28,197	12,065	4,395	-	-	-	-	-	571,005	405,355	976,360
Production	-	1	-	-	-	-	12,106,174	4,674,853	441,108	130,536	65,411	-	-	-	-	-	11,216,967	6,201,116	17,418,083
Electricity, Gas and Water	-	-	-	-	-	-	161,921	28,306	3,605	310	700	-	-	-	-	-	118,761	76,081	194,842
Construction	-	-	-	-	-	-	2,580,141	962,336	193,648	37,868	13,486	-	-	-	-	-	2,473,902	1,313,577	3,787,479
Services	522,411	76,257	2	-	-	1,817,977	5,538,889	3,323,894	466,391	121,612	183,295	-	-	-	-	986,999	9,562,167	3,475,560	13,037,727
Wholesale and Retail Trade	-	10,510	-	-	-	-	2,193,363	1,210,179	136,897	37,288	9,595	-	-	-	-	838	2,848,626	750,044	3,598,670
Accommodation and Dining	-	-	-	-	-	-	556,578	225,305	87,488	4,302	15,304	-	-	-	-	-	533,176	355,801	888,977
Transportation and Telecom.	-	-	-	-	-	-	1,240,196	722,991	68,246	47,516	10,781	-	-	-	-	5	1,575,964	513,771	2,089,735
Financial Institutions	522,411	-	-	-	-	1,817,977	179,077	39,734	7,245	444	10,519	-	-	-	-	985,782	2,515,603	1,047,586	3,563,189
Real Estate and Rental Services	-	2,906	-	-	-	-	758,793	606,889	110,127	19,474	3,986	-	-	-	-	-	826,745	675,430	1,502,175
Self-Employment Services	-	1,937	2	-	-	-	271,100	330,865	33,303	9,158	109,377	-	-	-	-	19	681,684	74,077	755,761
Educational Services	-	1	-	-	-	-	33,968	52,777	8,809	445	9,544	-	-	-	-	180	92,033	13,691	105,724
Health and Social Services	-	60,903	-	-	-	-	305,814	135,154	14,276	2,985	14,189	-	-	-	-	175	488,336	45,160	533,496
Other	-	-	-	-	-	-	965,753	5,260,113	1,571,202	150,778	7,461,767	-	-	-	-	180,577	14,493,841	1,096,349	15,590,190
Total	522,411	76,258	2	-	-	1,817,977	23,082,339	15,595,616	2,924,110	480,575	7,731,007	-	-	-	-	1,167,576	40,639,453	12,758,418	53,397,871

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Risk profile by Sectors or Counterparties:

Prior Period	Exposure Categories																	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	TL(*)		FC
Agriculture	-	-	-	-	-	-	1,571,832	184,067	166,131	21,342	354	-	-	-	-	-	1,777,392	166,334	1,943,726
Farming and Stockbreeding	-	-	-	-	-	-	1,550,526	174,448	164,850	20,783	330	-	-	-	-	-	1,748,963	161,974	1,910,937
Forestry	-	-	-	-	-	-	2,309	2,536	-	68	-	-	-	-	-	-	4,913	-	4,913
Fishery	-	-	-	-	-	-	18,997	7,083	1,281	491	24	-	-	-	-	-	23,516	4,360	27,876
Manufacturing	-	9	-	-	-	-	12,036,800	2,827,428	370,712	111,989	12,778	-	-	-	-	-	9,371,030	5,988,686	15,359,716
Mining and Quarrying	-	-	-	-	-	-	566,374	177,546	21,210	5,871	364	-	-	-	-	-	481,678	289,687	771,365
Production	-	9	-	-	-	-	11,198,494	2,638,231	347,270	105,991	12,388	-	-	-	-	-	8,748,443	5,553,940	14,302,383
Electricity, Gas and Water	-	-	-	-	-	-	271,932	11,651	2,232	127	26	-	-	-	-	-	140,909	145,059	285,968
Construction	-	-	-	-	-	-	2,721,862	491,372	162,217	27,181	5,174	-	-	-	-	-	1,949,717	1,458,089	3,407,806
Services	276,134	57,140	4,286	-	-	1,776,244	5,773,975	1,829,638	284,272	73,375	11,710	-	-	-	411,167	6,357,492	4,140,449	10,497,941	
Wholesale and Retail Trade	-	6,929	-	-	-	-	2,234,576	599,985	97,573	26,372	2,463	-	-	-	-	-	2,247,326	720,572	2,967,898
Accommodation and Dining	-	-	-	-	-	-	511,091	94,848	48,033	3,330	382	-	-	-	-	-	412,960	244,724	657,684
Transportation and Telecom.	-	-	-	-	-	-	1,428,006	309,085	44,660	28,925	1,000	-	-	-	5	1,155,176	656,505	1,811,681	
Financial Institutions	276,134	-	-	-	-	1,776,244	211,560	434,649	1,743	1,974	6,457	-	-	-	-	411,162	1,241,904	1,878,019	3,119,923
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	2,500	-	-	-	-	837,008	242,377	61,479	7,678	718	-	-	-	-	-	581,831	569,929	1,151,760
Self-Employment Services	-	2,307	4,286	-	-	-	262,603	79,589	17,279	3,029	514	-	-	-	-	-	319,632	49,975	369,607
Educational Services	-	1	-	-	-	-	39,030	15,103	2,164	205	45	-	-	-	-	-	54,391	2,157	56,548
Health and Social Services	-	45,403	-	-	-	-	250,101	54,002	11,341	1,862	131	-	-	-	-	-	344,272	18,568	362,840
Other	-	13	-	-	-	225	720,870	3,906,844	1,397,718	121,996	8,063,774	-	-	-	-	2,063,085	15,692,400	582,125	16,274,525
Total	276,134	57,162	4,286	-	-	1,776,469	22,825,339	9,239,349	2,381,050	355,883	8,093,790	-	-	-	2,474,252	35,148,031	12,335,683	47,483,714	

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term To Maturity				
	Up to 1Month	1–3 Months	3–6 Months	6–12 Months	Over 1 year
Exposure Categories					
Conditional and unconditional exposures to central governments or central banks	139,057	879	830	7,251	129,850
Conditional and unconditional exposures to regional governments or local authorities	47	252	591	669	74,062
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,030,752	106,911	70,949	122,587	77,928
Conditional and unconditional exposures to corporates	6,019,520	1,460,898	1,333,002	2,934,178	5,750,657
Conditional and unconditional retail exposures	5,080,254	974,422	720,265	1,320,173	5,458,896
Conditional and unconditional exposures secured by real estate property	430,679	44,912	61,265	127,019	2,220,311
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	-	-	85,483	7,615,951
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	39,826	845	100	-	87
Total	12,740,135	2,589,119	2,187,002	4,597,360	21,327,742

Prior Period	Term To Maturity				
	Up to 1Month	1–3 Months	3–6 Months	6–12 Months	Over 1 year
Exposure Categories					
Conditional and unconditional exposures to central governments or central banks	147,495	6,835	707	-	121,097
Conditional and unconditional exposures to regional governments or local authorities	94	571	28	3,402	52,436
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	631,369	176,298	168,909	255,900	92,224
Conditional and unconditional exposures to corporates	6,669,947	1,336,392	1,305,465	2,522,080	5,726,034
Conditional and unconditional retail exposures	3,484,616	308,004	401,824	620,026	3,043,052
Conditional and unconditional exposures secured by real estate property	328,219	21,986	40,659	84,166	1,861,987
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	291,255	246,215	383,811	7,140,888
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	1,089,487	137,593	102,638	-	161
Total	12,351,227	2,278,934	2,266,445	3,869,385	18,037,879

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Information about the risk exposure categories:

As explained on the 6. Article of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", receivables from central governments or central banks are calculated according to the OECD's published country risks.

Receivables from unrated nonresident banks and brokerage houses may receive a risk weight lower than that applied to claims on its sovereign of incorporation. Unrated bank with a days to maturity less than 3 months subject to a floor of %20, days to maturity more than 3 months subject to a floor of 50%. Receivables from corporate is subject to a floor of 100% or a higher country risk applied to sovereign of incorporation.

Credit quality step and risk weight matching table is shown below which is based on the OECD's published country risk classifications;

OECD Credit Quality Level	Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
		DTM less than 3 months	DTM higher than 3 months	
0	0%	20%	50%	100%
1	0%	20%	50%	100%
2	20%	20%	50%	100%
3	50%	50%	50%	100%
4	100%	100%	100%	100%
5	100%	100%	100%	100%
6	100%	100%	100%	100%
7	150%	150%	150%	150%

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before											
Credit Risk											
Mitigation	14,755,181	-	2,119,054	7,018,622	20,245,207	26,072,053	1,673,436	2,715,622	106,957	-	563,137
Exposures after											
Credit Risk											
Mitigation	14,846,342	-	2,102,929	7,013,204	19,804,477	24,976,410	1,658,516	2,715,622	106,957	-	563,137

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before											
Credit Risk											
Mitigation	11,510,997	-	1,479,524	5,883,348	12,319,132	27,428,614	1,285,413	2,775,002	40,018	-	561,590
Exposures after											
Credit Risk											
Mitigation	11,510,997	-	1,469,146	5,781,317	12,092,627	26,231,467	1,284,863	2,775,002	40,018	-	561,590

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Informations in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	59,304	184,683	1,947	37,178
Farming and Stockbreeding	58,944	178,991	1,887	36,868
Forestry	-	4,912	52	-
Fishery	360	780	8	310
Manufacturing	398,767	500,114	5,247	288,743
Mining and Quarrying	23,526	24,544	259	16,594
Production	366,713	473,253	4,964	263,742
Electricity, Gas and Water	8,528	2,317	24	8,407
Construction	70,669	106,228	1,120	42,585
Services	252,667	388,578	4,090	161,414
Wholesale and Retail Trade	81,914	124,056	1,308	55,257
Accommodation and Dining	29,123	44,256	467	25,445
Transportation and Telecom.	89,051	93,867	990	53,342
Financial Institutions	960	3,253	27	592
Real Estate and Rental Services	25,904	62,907	663	10,663
Professional Services	16,915	33,447	353	10,132
Educational Services	948	4,839	51	599
Health and Social Services	7,852	21,953	231	5,384
Other	425,127	642,937	6,781	273,088
Total	1,206,534	1,822,540	19,185	803,008

Prior Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	48,380	126,551	3,407	28,206
Farming and Stockbreeding	47,639	120,715	3,250	27,917
Forestry	-	4,494	121	-
Fishery	741	1,342	36	289
Manufacturing	335,737	384,349	10,333	224,156
Mining and Quarrying	19,254	28,606	770	14,635
Production	308,641	355,111	9,546	201,770
Electricity, Gas and Water	7,842	632	17	7,751
Construction	54,568	85,179	2,293	27,918
Services	205,316	333,335	8,974	132,783
Wholesale and Retail Trade	65,600	99,021	2,666	42,067
Accommodation and Dining	24,966	35,631	959	21,426
Transportation and Telecom.	75,593	96,728	2,604	47,017
Financial Institutions	614	2,339	63	477
Real Estate and Rental Services	16,052	39,239	1,056	8,270
Professional Services	16,213	38,610	1,040	10,085
Educational Services	849	3,512	95	530
Health and Social Services	5,429	18,255	491	2,911
Other	296,713	632,256	17,024	185,778
Total	940,714	1,561,670	42,031	598,841

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II. Explanations Related to the Consolidated Credit Risk (Continued)

Information about Value Adjustment and Change in Provisions

	31.12.2013 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments*	31.12.2014 Balance
Specific Provisions	598,841	518,222	(145,982)	(174,477)	6,404	803,008
General Provisions	554,607	78,624	(8,295)	-	(3,642)	621,294

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

	31.12.2012 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments*	31.12.2013 Balance
Specific Provisions	447,500	371,237	(110,202)	(118,939)	9,245	598,841
General Provisions	419,436	229,305	(97,152)	-	3,018	554,607

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

III. Explanations Related to the Consolidated Market Risk

The Group’s risk management activities are managed under the responsibility of the Board of Directors in compliance with the “Communiqué on Banks’ Internal Control and Risk Management Systems” and “Communiqué on Measurement and Assessment of Capital Adequacy Ratios of Banks”.

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

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

i) Information Related to Market Risk:

	Consolidated	Parent Bank
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	20,491	20,403
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	1,015	786
Capital requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	25,824	7,402
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-	-
(V) Capital Requirement to be Employed For Settlement Risk – Standard Method	-	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	1,124	1,124
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	29,597	29,317
(VIII) Total Capital Requirement to be Employed For Market Risk	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	78,051	59,032
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	975,638	737,900

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III. Explanations Related to the Consolidated Market Risk (Continued)

ii) Average market risk table calculated at month edns during the period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	20,796	25,017	16,766	19,888	25,390	15,878
Common Stock Risk	-	-	-	-	-	-
Currency Risk	23,024	30,941	6,681	20,013	24,918	13,432
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Counterparty Credit Risk	851	1,131	525	1,204	1,942	831
Option Risk	35,252	56,594	28,126	35,775	44,338	17,887
Total Value Subject to Risk (*)	999,034	1,327,771	709,975	960,993	1,140,132	700,325

(*) “Total Value Subject to Risk” is calculated as the total amount of capital requirements for the market risk multiplied by 12.5.

b) Information on Counterparty Credit Risk:

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that change according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and The Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties In principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

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III. Explanations Related to the Consolidated Market Risk (Continued)

b) Information on Counterparty Credit Risk: (Continued)

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

Quantitative Information on Counterparty Risk:

	Trading Book	Banking Book	Total
Agreement Based on Interest Rate	7,009	24,573	31,582
Agreement Based on Foreign Exchange Currency	278,852	103,785	382,637
Agreement Based on Commodity	-	-	-
Agreement Based on Marketable Securities	-	-	-
Other	-	-	-
Gross Positive Fair Value	409,189	83,944	493,133
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	695,050	212,302	907,352

c) Capital Requirement is not calculated with a measurement model permitted by Banking Regulation and Supervision Agency.

IV. Explanations Related to the Consolidated Operational Risk

a) Operational risk has been calculated using the basic indicator approach. Market risk measurements are performed monthly.

b) In case of application of the standart method:

	31.12.2011	31.12.2012	31.12.2013	Total/Positive Year	Rate (%)	Total
GROSS Income	1,805,354	2,510,493	2,835,960	2,383,936	15	357,590
Amount subject to Operational Risk (Total*12,5)						4,469,879

	31.12.2010	31.12.2011	31.12.2012	Total/Positive Year	Rate (%)	Total
GROSS Income	2,071,801	1,805,354	2,510,493	2,129,216	15	319,382
Amount subject to Operational Risk (Total*12,5)						3,992,275

c) The Group does not use the standard method

d) The Group does not use any alternative approach in standart method

V. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration and risk is calculated by using the standard method.

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V. Explanations Related to the Consolidated Currency Risk (Continued)

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis

As of 31 December 2014, the Group’s net short position is TL4,567,111 (31 December 2013: TL2,227,237 short position) resulting from long position on the balance sheet amounting to TL4,032,889 (31 December 2013: TL2,956,845 long position) and short position on the off-balance sheet amounting to TL534,222 (31 December 2013: TL729,608 net long position).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2014 and the previous five working days in full TL are as follows:

	24.12.2014	25.12.2014	26.12.2014	29.12.2014	30.12.2014	31.12.2014
USD	2.3142	2.3139	2.3125	2.3172	2.3212	2.3244
JPY	0.0192	0.0193	0.0192	0.0192	0.0195	0.0195
EURO	2.8216	2.8288	2.8092	2.8242	2.8207	2.8144

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2014 are as follows:

	Monthly Average Foreign Exchange Rate
USD	2.2912
JPY	0.0192
EURO	2.8196

Foreign currency sensitivity:

The Parent Bank is mainly exposed to EUR and USD currency risks.

The following table details the Parent Bank’s sensitivity to a 10% change in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of short position and a decrease in the case of long position where the TL strengthens against USD and EUR.

	Change in currency rate in %	Effect on profit or loss		Effect on equity (*)	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD	10 increase	(46,641)	(13,286)	6	(60)
USD	10 decrease	46,641	13,286	(6)	60
EURO	10 increase	3,230	82,628	103	(127)
EURO	10 decrease	(3,230)	(82,628)	(103)	127

(*) The effect on equity does not include the effect of changes in foreign exchange rate on the income statement.

The Group’s sensitivity to foreign currency rates have not changed significantly during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

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V. Explanations Related to the Consolidated Currency Risk (Continued)

Information on the foreign currency risk of the Group:

Current Period	EUR	USD	OTHER	TOTAL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,667,627	5,028,459	909,055	7,605,141
Banks	167,350	155,257	86,639	409,246
Financial Assets at Fair Value Through Profit and Loss (*****)	15,142	16,133	78	31,353
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	84,964	88,080	6,149	179,193
Loans (**)	4,606,759	5,776,474	885,455	11,268,688
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	8,920	-	-	8,920
Intangible Assets	873	-	-	873
Other Assets (***)	536,805	183,841	7,095	727,741
Total Assets	7,088,440	11,248,244	1,894,471	20,231,155
Liabilities				
Bank Deposits	621,539	77,771	89,389	788,699
Foreign Currency Deposits (*)	3,417,128	7,993,550	898,981	12,309,659
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions (*****)	6,312,055	3,646,275	1,212,521	11,170,851
Marketable Securities Issued	-	294,904	-	294,904
Sundry Creditors	68,117	120,270	1,015	189,402
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (**)	31,349	12,680	722	44,751
Total Liabilities	10,450,188	12,145,450	2,202,628	24,798,266
Net Balance Sheet Position	(3,361,748)	(897,206)	(308,157)	(4,567,111)
Net Off-Balance Sheet Position	3,394,046	430,800	208,043	4,032,889
Financial Derivative Assets (*****)	8,145,626	14,293,467	1,030,272	23,469,365
Financial Derivative Liabilities (*****)	4,751,580	13,862,667	822,229	19,436,476
Non-Cash Loans (*****)	2,613,474	3,936,175	140,526	6,690,175
Prior Period				
Total Assets	7,459,711	8,773,277	1,921,003	18,153,991
Total Liabilities	9,388,507	8,997,129	1,995,592	20,381,228
Net Balance Sheet Position	(1,928,796)	(223,852)	(74,589)	(2,227,237)
Net Off-Balance Sheet Position	2,755,072	90,997	110,776	2,956,845
Financial Derivative Assets	7,158,689	11,900,978	616,803	19,676,470
Financial Derivative Liabilities	4,403,617	11,809,981	506,027	16,719,625
Non-Cash Loans (*****)	3,090,581	3,703,730	149,050	6,943,361

(*) Precious metal accounts amounting to TL477,622 (31 December 2013: TL671,360) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,641,281 (31 December 2013: TL2,508,336) are included in the loan portfolio.

(***) TL59,584 (31 December 2013: TL23,715) foreign currency indexed factoring receivables is included in other assets, while TL107,973 (31 December 2013: TL39,826) expense accruals from derivative financial instruments, and TL10,443 (31 December 2013: TL14,983) provision for general loan losses are deducted from other liabilities. TL506 (31 December 2013: TL931) foreign currency indexed factoring payables is included in the other liabilities. Foreign currency indexed liabilities are included in funds provided from other financial institutions.

(****) Forward asset and marketable securities purchase-sale commitments of TL472,776 (31 December 2013: TL626,064) are added to derivative financial assets and TL432,243 (31 December 2013: TL549,644) has been added to derivative financial liabilities.

(*****) TL66,674 (31 December 2013: TL32,146) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value Through Profit and Loss.

(*****) There is no effect on the net off-balance sheet position.

(*****) Foreign currency indexed funds amounting TL1,701(31 December 2013: None) are included in the funds provided from other financial institutions.

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VI. Explanations Related to Consolidated Interest Rate Risk

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

The priority of the risk management department is to avoid the impact of the fluctuations in interest rates. In this context, duration, maturity and sensitivity analysis are calculated by the Risk Management Department and presented to both Liquidity Risk Committee and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Group.

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

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	532,270	-	-	-	7,934,659	8,466,929
Banks	792,752	8,540	8,317	-	-	195,540	1,005,149
Financial Assets at Fair Value Through Profit and Loss	46,909	24,359	56,716	63,864	67,510	428,378	687,736
Money Market Placements	550,207	-	-	-	-	-	550,207
Available-For-Sale Financial Assets	581,136	1,011,391	1,739,495	1,065,431	69,687	21,131	4,488,271
Loans and Receivables (*)	13,780,022	3,111,131	7,483,882	16,640,941	5,055,750	437,462	46,509,188
Factoring Receivables	689,041	372,816	264,141	-	-	6,924	1,332,922
Held-To-Maturity Investments	31,583	87,344	198,433	-	-	-	317,360
Other Assets	838	-	10,370	50,383	48	2,272,461	2,334,100
Total Assets	16,472,488	5,147,851	9,761,354	17,820,619	5,192,995	11,296,555	65,691,862
Liabilities							
Bank Deposits	725,475	603,921	2,122	-	-	40,299	1,371,817
Other Deposits	28,310,143	4,880,585	280,179	131,174	683	5,456,469	39,059,233
Money Market Borrowings	1,796,098	-	-	-	-	-	1,796,098
Sundry Creditors	-	-	-	-	-	1,134,903	1,134,903
Marketable Securities Issued	165,887	262,196	563,500	-	-	-	991,583
Funds Provided From Other Financial Institutions	3,416,171	4,983,523	3,494,009	145,006	112,671	-	12,151,380
Factoring Payables	-	-	-	-	-	7,832	7,832
Other Liabilities	11,608	2,721	48,229	332,145	9,294	8,775,019	9,179,016
Total Liabilities	34,425,382	10,732,946	4,388,039	608,325	122,648	15,414,522	65,691,862
Balance Sheet Long Position							
Balance Sheet Short Position	(17,952,894)	(5,585,095)	-	-	-	(4,117,967)	(27,655,956)
Off-Balance Sheet Long Position	5,377,361	1,186,195	-	-	-	-	6,563,556
Off-Balance Sheet Short Position	-	-	(1,364,462)	(5,084,500)	(26,250)	-	(6,475,212)
Total Position	(12,575,533)	(4,398,900)	4,008,853	12,127,794	5,044,097	(4,117,967)	88,344

(*) Loans with floating interest rates of the Parent Bank amounting to TL7,098,120 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL6,077 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL326,119 , intangible assets amounting to TL477,707, assets held for resale amounting to TL79,466, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL6,194,560.

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VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	6,811,612	6,811,612
Banks	207,353	4,047	2,044	-	-	247,141	460,585
Financial Assets at Fair Value Through Profit and Loss	15,286	81,605	535,463	61,032	16,084	674,647	1,384,117
Money Market Placements	245	-	-	-	-	-	245
Available-For-Sale Financial Assets	501,840	1,088,923	1,089,614	1,626,144	81,349	21,015	4,408,885
Loans and receivables (*)	12,646,061	2,282,817	7,017,871	13,181,229	4,139,381	375,989	39,643,348
Factoring Receivables	643,004	336,654	107,479	-	-	5,550	1,092,687
Held-To-Maturity Investments	28,988	80,163	183,805	-	-	-	292,956
Other Assets	833	1,948	21,653	29,459	3,252	2,052,676	2,109,821
Total Assets	14,043,610	3,876,157	8,957,929	14,897,864	4,240,066	10,188,630	56,204,256
Liabilities							
Bank Deposits	1,491,958	28,478	8,182	-	-	106,954	1,635,572
Other Deposits	20,486,895	7,390,861	569,996	146,230	307	5,303,285	33,897,574
Money Market Borrowings	1,083,153	-	-	-	-	-	1,083,153
Sundry Creditors	-	-	-	-	-	1,122,712	1,122,712
Marketable Securities Issued	-	278,005	432,271	-	-	-	710,276
Funds Provided From Other Financial Institutions	2,017,071	3,377,011	4,084,836	164,800	117,152	-	9,760,870
Factoring Payables	-	-	-	-	-	8,012	8,012
Other Liabilities	17,542	17,439	41,917	42,180	3,301	7,863,708	7,986,087
Total Liabilities	25,096,619	11,091,794	5,137,202	353,210	120,760	14,404,671	56,204,256
Balance Sheet Long Position	-	-	3,820,727	14,544,654	4,119,306	-	22,484,687
Balance Sheet Short Position	(11,053,009)	(7,215,637)	-	-	-	(4,216,041)	(22,484,687)
Off-Balance Sheet Long Position	641,617	2,625,354	-	-	-	-	3,266,971
Off-Balance Sheet Short Position	-	-	(1,811,144)	(1,164,705)	(158,017)	-	(3,133,866)
Total Position	(10,411,392)	(4,590,283)	2,009,583	13,379,949	3,961,289	(4,216,041)	133,105

(*) Loans with floating interest rates of the Parent Bank amounting to TL6,850,037 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL3,404 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL332,957, intangible assets amounting to TL476,824, assets held for resale amounting to TL83,217, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL5,569,119.

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VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments:

	EURO	USD	YEN	TL
	%	%	%	%
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	1.51
Banks	0.11	0.22	-	10.89
Financial Assets at Fair Value Through Profit and Loss	1.13	3.64	-	8.41
Money Market Placements	-	-	-	11.24
Available-For-Sale Financial Assets	1.09	3.72	-	9.44
Loans	3.43	3.71	2.94	12.88
Factoring Receivables	1.89	2.36	-	11.76
Held-To-Maturity Investments	-	-	-	12.58
Liabilities				
Bank Deposits	0.28	0.54	-	4.66
Other Deposits	1.31	1.92	1.75	9.91
Money Market Borrowings	-	-	-	8.36
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.16	-	9.10
Funds Provided From Other Financial Institutions	1.08	1.60	2.23	9.80
	EURO	USD	YEN	TL
	%	%	%	%
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	2.70	2.70	-	0.87
Financial Assets at Fair Value Through Profit and Loss	0.09	3.93	-	9.49
Money Market Placements	-	-	-	6.83
Available-For-Sale Financial Assets	0.86	3.43	-	9.49
Loans	3.78	4.01	3.43	11.72
Factoring Receivables	2.78	2.18	-	11.50
Held-To-Maturity Investments	-	-	-	11.34
Liabilities				
Bank Deposits	0.39	0.58	-	5.60
Other Deposits	2.27	2.33	0.16	8.71
Money Market Borrowings	-	-	-	6.70
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	8.32
Funds Provided From Other Financial Institutions	1.67	2.34	2.42	8.12

Interest rate risk on banking accounts:

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk,

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities.

Early repayment rate of loans is determined upon reviewing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issued products in calculation of interest rate sensitivity.

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VI. Explanations Related to Consolidated Interest Rate Risk (Continued)

Interest rate risk on banking accounts: (Continued)

- b) The Parent Bank only economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulted from the banking accounts as per standard shock method”:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity– (Losses)/Equity
TRY	(400)	787,367	10.34%
TRY	500	(850,320)	(11.17)%
EURO	(200)	24,024	0.32%
EURO	200	(21,301)	(0.28)%
USD	(200)	74,226	0.97%
USD	200	(64,730)	(0.85)%
Total (of negative shocks)	(800)	885,617	11.63%
Total (of positive shocks)	900	(936,351)	(12.30)%

Equity share position risk in banking accounts

The Parent Bank’s equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determinate properly.

VII. Explanations Related to Consolidated Liquidity Risk

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

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

The Group’s policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Parent Bank continuously determines standards for the liquidity proportions, and monitors them.

According to the general policies of the Group, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Parent Bank manages its maturity risk within the limits determined by Parent Bank’s Board of Directors.

When the funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Parent Bank is in a lender position.

Considering specific stressors related to general market and banking, liquidity position is assessed and managed through various scenarios. The most important of these scenarios is to proceed with parent bank’s net liquid assets/ loans to customers ratio within the limit.

Current Period	First Maturity (Weekly)		Second Maturity (Monthly)	
	FC	FC+TL	FC	FC+TL
31 December 14				
Average (%)	162	143	144	109
Maximum (%)	229	164	172	116
Minimum (%)	126	125	124	104

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Current Period 31 December 14	First Maturity (Weekly)		Second Maturity (Monthly)	
	FC	FC+TL	FC	FC+TL
Average (%)	142	161	112	115
Maximum (%)	185	193	146	129
Minimum (%)	109	132	80	107

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over Undistributed 5 Years	(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,994,318	6,472,611	-	-	-	-	8,466,929
Banks	347,715	640,577	8,540	8,317	-	-	1,005,149
Financial Assets at Fair Value Through Profit and Loss	-	144,540	120,348	198,001	148,423	76,424	687,736
Money Market Placements	-	550,207	-	-	-	-	550,207
Available-For-Sale Financial Assets	20,971	249,908	630,428	1,208,130	1,523,271	855,403	4,488,271
Loans (**)	3,119	13,654,986	2,829,759	7,488,828	17,036,615	5,092,355	46,509,188
Factoring Receivables	-	689,041	372,816	264,141	-	-	1,332,922
Held-To-Maturity Investments	-	-	-	-	-	317,360	317,360
Other Assets	-	2,413	580	10,470	50,470	48	2,334,100
Total Assets	2,366,123	22,404,283	3,962,471	9,177,887	18,758,779	6,341,590	65,691,862
Liabilities							
Bank Deposits	40,299	725,475	603,921	2,122	-	-	1,371,817
Other Deposits	5,932,632	27,833,982	4,880,585	280,179	131,174	681	39,059,233
Funds Provided From Other Financial Institutions	-	2,748,674	3,991,877	3,410,941	455,687	1,544,201	12,151,380
Money Market Borrowings	-	1,796,098	-	-	-	-	1,796,098
Marketable Securities Issued	-	165,887	262,196	563,500	-	-	991,583
Sundry Creditors	3,048	1,124,397	45	3	-	-	1,134,903
Factoring Payables	-	7,832	-	-	-	-	7,832
Other Liabilities	1,984	1,151,434	80,273	357,757	388,285	11,126	9,179,016
Total Liabilities	5,977,963	35,553,779	9,818,897	4,614,502	975,146	1,556,008	65,691,862
Liquidity Gap	(3,611,840)	(13,149,496)	(5,856,426)	4,563,385	17,783,633	4,785,582	(4,514,838)
Prior Period							
Total Assets	1,891,556	18,762,088	2,866,639	8,916,589	16,408,150	5,019,839	56,204,256
Total Liabilities	6,048,284	26,132,649	9,621,475	5,592,170	817,406	1,574,285	56,204,256
Liquidity Gap	(4,156,728)	(7,370,561)	(6,754,836)	3,324,419	15,590,744	3,445,554	(4,078,592)

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(**) Loans with floating interest rates of the Parent Bank amounting to TL7,098,120 (31 December 2013: TL6,850,037) are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL6,077 (31 December 2013: TL3,404) are included in “1-5 Years”.

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustme nts	Total
As of 31 December 2014,								
Money Market Borrowings	-	1,797,283	-	-	-	-	(1,185)	1,796,098
Deposit	5,932,632	27,912,117	4,929,278	285,773	138,130	928	(139,625)	39,059,233
Bank Deposit	40,299	725,679	604,257	2,202	-	-	(620)	1,371,817
Funds provided from other financial institutions	-	2,763,915	3,999,797	3,509,075	735,781	1,797,708	(654,896)	12,151,380
Total	5,972,931	33,198,994	9,533,332	3,797,050	873,911	1,798,636	(796,326)	54,378,528
As of 31 December 2013,								
Money Market Borrowings	-	1,083,376	-	-	-	-	(223)	1,083,153
Deposit	5,937,862	19,882,932	7,469,878	604,875	156,448	-	(154,421)	33,897,574
Bank Deposit	107,039	1,492,313	28,556	8,591	-	-	(927)	1,635,572
Funds provided from other financial institutions	-	1,585,464	1,823,724	4,322,872	906,174	1,915,467	(792,831)	9,760,870
Total	6,044,901	24,044,085	9,322,158	4,936,338	1,062,622	1,915,467	(948,402)	46,377,169

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

	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Total
As of 31 December 2014,						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	14,542	452,124	225,274	-	691,940
Cash flow hedge	23,264	99,107	365,013	543,056	68	1,030,508
Held for trading transactions						
Foreign exchange forward contracts-sell	1,017,883	1,010,757	1,238,720	761,673	34,250	4,063,283
Currency swaps-sell	7,736,262	2,913,414	3,504,691	2,240,117	117,201	16,511,685
Interest rate swaps-sell	1,226	7,676	156,261	75,159	669	240,991
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,604,407	1,993,953	4,179,510	12,714	-	8,790,584
Total	11,383,042	6,039,449	9,896,319	3,857,993	152,188	31,328,991
As of 31 December 2013,						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	497,383	7,718	124,002	-	629,103
Cash flow hedge	16,296	3,458	131,843	102,146	630	254,373
Held for trading transactions						
Foreign exchange forward contracts-sell	1,706,709	943,466	1,412,272	371,446	-	4,433,893
Currency swaps-sell	3,311,054	3,332,033	2,732,970	1,016,684	-	10,392,741
Interest rate swaps-sell	14,002	16,075	42,538	38,654	3,100	114,369
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,416,106	2,995,020	4,581,282	11,501	-	10,003,909
Total	7,464,167	7,787,435	8,908,623	1,664,433	3,730	25,828,388

Table above shows cash outflows of derivative instruments

Securitization positions:

The Group does not apply securitization as of 31 December 2014 (31 December 2013: None).

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Credit Risk Mitigation Techniques:

- a) Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and Parent Bank’s net-off usage level,

Parent Bank does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

- b) Applications regarding valuation and management of collaterals,

Monetary collaterals are valued at fair value as of reporting date, and are included in the risk mitigation process. Mortgages’ legal validity is sustained by mortgage’s timely and fair approval. Changes considered important in market conditions are monitored.

- c) Types of collaterals received,

In terms of credit risk mitigation, the Parent bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

- d) Main Guarantor and credit derivatives’ counter party and their credit valuableness,

Guarantor entity’s credit risk value is to be considered in credit risk mitigation process in cases where Parent bank credit customers obtained guarantee from other entities.

- e) Information on Credit mitigation in market or credit risk concentration,

Parent Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

- f) Collaterals in terms of Risk Categories:

Current Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	522,411	-	-	-
Conditional and unconditional receivables from regional or local governments	69,224	35,494	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	2	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,797,699	95,365	-	-
Conditional and unconditional corporate receivables	22,008,952	1,171,642	-	-
Conditional and unconditional retail receivables	15,260,390	461,735	-	-
Conditional and unconditional secured mortgage receivables	2,924,110	-	-	-
Past due receivables	462,054	364	-	-
Receivables in high risk category defined by BRSA	7,731,007	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,167,517	58	-	-
Total	51,943,366	1,764,658	-	-

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Credit Risk Mitigation Techniques: (Continued)

Prior Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	276,134	-	-	-
Conditional and unconditional receivables from regional or local governments	56,861	1,533	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	4,286	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,715,426	130,514	-	-
Conditional and unconditional corporate receivables	21,653,661	1,368,363	-	-
Conditional and unconditional retail receivables	9,069,470	282,453	-	-
Conditional and unconditional secured mortgage receivables	2,381,051	-	-	-
Past due receivables	355,883	-	-	-
Receivables in high risk category defined by BRSA	8,093,402	1,226	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	2,456,593	17,656	-	-
Total	46,062,767	1,801,745	-	-

Risk management objectives and policies

a) Strategies and practices on risk management:

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Parent Bank and all of its subsidiaries have been gathered under the Risk Management Group. Group Risk Management reports to the Boards of Directors of TEB through the Audit Committee within the Bank and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of Parent Bank to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Group risk culture is adopted by all employees

b) Risk management system’s structure and organization

Risk management operations consist of risk measurement, monitoring of risks, control of risks and reporting operations. Risk management operations are conducted by group risk management and personnel.

Group risk management head reports to the Board of Directors via Audit Committee.

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VII. Explanations Related to Consolidated Liquidity Risk (Continued)

Risk management objectives and policies (Continued)

c) Risk reporting and measurement systems’ scope and qualification,

In order to ensure that the results of risk measurement and monitoring are regularly and timely reported to the Board of Directors and to the Senior Management, realization of the following shall be monitored:

- The risks of the Parent Bank are reported in a detailed and reliable manner to the Board of Directors, to the Audit Committee, to the Senior Management, to the auditors, to the banking authorities, to the rating organizations and finally to the public; and more generally, to keep relations with legal authorities, supervisory and rating organizations in matters related to risk management.
- The quantifiable risks are kept within prescribed limits; excesses are identified, stress tests and scenario analyses are performed to evaluate the effect of unexpected market conditions on basic activities and the results are reported to the Board of Directors or to the Senior Management timely and regularly.
- Data on positions and prices is followed up, risk balances are monitored, excesses are identified and monitored, various scenario analyses are performed, value at risk amounts are determined and reported, coordination with other activity fields and units is ensured,
- Daily reports from risk measurement models used by the Parent Bank are generated, these reports are analyzed, it’s ensured that quantifiable risks comply with prescribed limits and the conformity with the limits is monitored,
- Limits defined for each risk on unit/organization basis are aggregated and monitored on a consolidated basis.

The Group Risk Management follows the consequences of the results of risk measurement and monitoring and submits them to the Board of Directors either directly or through the Audit Committee.

i. Credit Risk

The Parent Bank has internal rating models for corporate and SME segments. Application and behavioral score cards are used for entity and individual segments.

ii. Market Risk

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Parent Bank’s assets, liabilities and off balance sheet items values. The Parent Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

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VII. Explanations Related to Liquidity Risk (Continued)

Risk management objectives and policies (Continued)

ii) Market Risk (Continued)

Economic value of the Parent Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank’s value’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management.

Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

d) Procedures on risk management and risk mitigation policies with regular control of their effectiveness:

The Parent Bank maintains legal validations of collaterals are used for credit risk mitigation and complies with operational standards which are required for capital adequacy regulation. Market values of collaterals are regularly updated. All physical collaterals are insured. Collateral deficiency in amount or quality is determined by monitoring system and actions are taken by related groups.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	54,203,097	45,898,706	54,292,137	46,251,462
Money Market Placements	550,207	245	550,207	245
Banks	1,005,149	460,585	1,005,149	519,726
Available-For-Sale Financial Assets	4,488,271	4,408,885	4,488,271	4,408,886
Held-To-Maturity Investments	317,360	292,956	341,671	288,676
Loans(**)	47,842,110	40,736,035	47,906,839	41,033,929
Financial Liabilities	56,505,014	48,210,157	56,490,894	48,279,714
Bank Deposit	1,371,817	1,635,572	1,371,888	1,645,530
Other Deposit	39,059,233	33,897,574	39,064,041	33,948,265
Funds Borrowed From Other Financial (*)	13,947,478	10,844,023	13,947,489	10,872,508
Marketable Securities Issued	991,583	710,276	972,573	690,309
Sundry Creditors	1,134,903	1,122,712	1,134,903	1,123,102

(*) Funds provided under repo transactions and subordinated loans are included in funds borrowed from other financial institutions.

(**) Factoring receivables are included in loans

The table above shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair values of financial assets and financial liabilities are determined as follows:

- Tier 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Tier 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Tier 1, that are observable either directly or indirectly in the market.
- Tier 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2014	Tier 1	Tier 2	Tier 3	Total
Financial Assets	4,549,789	675,113	-	5,224,902
Financial assets at fair value through profit and loss	90,434	597,302	-	687,736
<i>Public sector debt securities</i>	90,434	-	-	90,434
<i>Derivative financial assets held for trading</i>	-	597,302	-	597,302
Derivative financial assets for hedging purposes	-	60,800	-	60,800
Available-for-sale financial assets	4,459,355	17,011	-	4,476,366
<i>Public sector debt securities</i>	4,392,990	7,785	-	4,400,775
<i>Other available-for-sale financial assets(*)</i>	66,365	9,226	-	75,591
Financial Liabilities	-	762,528	-	762,528
Derivative financial liabilities held for trading	-	448,658	-	448,658
Derivative financial liabilities for hedging purposes	-	313,870	-	313,870
31 December 13	Tier 1	Tier 2	Tier 3	Total
Financial Assets	5,036,311	858,367	-	5,894,678
Financial assets at fair value through profit and loss	654,847	729,270	-	1,384,117
<i>Public sector debt securities</i>	654,847	-	-	654,847
<i>Derivative financial assets held for trading</i>	-	729,270	-	729,270
Derivative financial assets for hedging purposes	-	112,245	-	112,245
Available-for-sale financial assets	4,381,464	16,852	-	4,398,316
<i>Public sector debt securities</i>	4,358,860	7,626	-	4,366,486
<i>Other available-for-sale financial assets(*)</i>	22,604	9,226	-	31,830
Financial Liabilities	-	552,269	-	552,269
Derivative financial liabilities held for trading	-	482,831	-	482,831
Derivative financial liabilities for hedging purposes	-	69,438	-	69,438

(*) All unquoted share certificates of TL11,905 which are recorded at fair value and at cost since its fair value cannot be reliably estimated are not included. (31 December 2013: TL10,569).

There is no transition between Tier 1 and Tier 2 in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Group performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not deal with fiduciary transactions.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1.a) Information on Cash and Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	329,518	437,126	307,324	366,380
Balances with the Central Bank of Turkey	532,270	7,134,100	324,975	5,792,967
Other	-	33,915	-	19,966
Total	861,788	7,605,141	632,299	6,179,313

b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	532,270	-	324,975	-
Unrestricted time deposit	-	661,489	-	527,994
Restricted time deposit	-	6,472,611	-	5,264,973
Total	532,270	7,134,100	324,975	5,792,967

TL661,489 (31 December 2013: TL527,994) foreign currency unrestricted deposit, TL6,472,611 (31 December 2013: TL5,264,973) foreign currency restricted deposit and TL532,270 (31 December 2013: TL324,975) TL unrestricted deposit balance comprises of reserve deposits. As of 31 December 2014, the Turkish lira required reserve ratios are determined to be within the range of 5%-11.5% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2013: 5%-11.50% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6%-13% (31 December 2013: 6%-13% for all foreign currency liabilities).

Based upon press announcement of Central Bank of Turkey with the number of 2014-72 on 21 October 2014, there will be interest payment on TRY reserve deposits starting from November 2014.

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2013: None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None.

Net book value of unrestricted financial assets at fair value through profit and loss is TL90,434 (31 December 2013: TL654,847).

a.3) Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	49,328	7,934	166,900	11,336
Swap Transactions	388,667	52,559	254,056	46,610
Futures Transactions	-	-	-	-
Options	73,940	24,874	235,910	14,458
Other	-	-	-	-
Total	511,935	85,367	656,866	72,404

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

3. Information on banks:

a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	545,021	59,573	12,898	56,502
Foreign	50,882	349,673	67,717	323,468
Branches and head office abroad	-	-	-	-
Total	595,903	409,246	80,615	379,970

b) Information on foreign banks :

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	193,379	158,656	-	-
USA and Canada	94,122	75,000	-	-
OECD Countries(*)	4,832	3,597	-	-
Off-Shore Banking Regions	104,274	152,289	-	-
Other	3,948	1,643	-	-
Total	400,555	391,185	-	-

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

4. Information on financial assets available-for-sale:

a) a.1) Information on financial assets available-for-sale given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	391,750	-	738,372	-
Other	-	-	-	-
Total	391,750	-	738,372	-

a.2) Financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,761,323	-	1,097,509	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	1,761,323	-	1,097,509	-

Net book value of debt securities and share certificates in unrestricted financial assets available-for-sale is TL2,335,198 (31 December 2013: TL2,573,004).

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

4. Information on financial assets available-for-sale: (Continued)

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,467,140	4,387,870
Quoted on a stock exchange	4,467,140	4,387,870
Not quoted	-	-
Share certificates	21,131	21,015
Quoted on a stock exchange (*)	-	1,220
Not quoted	21,131	19,795
Impairment provision (-)	-	-
Total	4,488,271	4,408,885

(*) As of 31 December 2014, mutual fund participation certificate amount TL1,220 (31 December 2013: None).

All unquoted available for sale equities of the Group are recorded at fair value except for the investment of TL11,905 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2013: TL10,569).

5. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	544	-	7,130	10
Corporate shareholders	3	-	6,540	-
Real person shareholders	541	-	590	10
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	60,593	-	57,035	-
Total	61,137	-	64,165	10

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)				
	Loans and Other Restructured Receivables		or Rescheduled	Other	Loans and Other Restructured Receivables		or Rescheduled	Other
	(Total)				(Total)			
Non-specialized loans	44,283,122	572,570	-	-	1,822,540	403,355	-	-
Working Capital Loans	-	-	-	-	-	-	-	-
Export loans	4,869,485	24,967	-	-	16,525	4,250	-	-
Import loans	-	-	-	-	-	-	-	-
Loans given to financial sector	874,390	-	-	-	15	-	-	-
Consumer loans (**)	11,451,372	208,100	-	-	608,991	25,425	-	-
Credit cards	2,386,647	-	-	-	85,757	2,295	-	-
Other	24,701,228	339,503	-	-	1,111,252	371,385	-	-
Specialized loans	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
Total	44,283,122	572,570	-	-	1,822,540	403,355	-	-

(*) The total principal amount of the loans under close monitoring in accordance with the requirements of the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” amended on 6 February 2008.

(**) TL6,077 income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

Number of extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up(*)
1 or 2 times	569,542	397,707
3,4 or 5 times	996	2,972
Over 5 times	2,032	2,676
Total	572,570	403,355

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up(*)
0-6 months	343,706	351,335
6-12 months	27,829	6,397
1-2 years	74,367	25,394
2-5 years	101,971	18,415
5 years and over	24,697	1,814
Total	572,570	403,355

(*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables" published on the Official Gazette no. 27947 dated 28 May 2011 5th paragraph of the provisional Article 4a.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

c) Loans and other receivables according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Short-term loans and other receivables	24,623,370	229,569	914,425	174,716
Non-specialized loans	24,623,370	229,569	914,425	174,716
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	19,659,752	343,001	908,115	228,639
Non-specialized loans	19,659,752	343,001	908,115	228,639
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	44,283,122	572,570	1,822,540	403,355

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

- d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	214,577	11,301,429	11,516,006
Housing Loans	4,092	6,760,984	6,765,076
Vehicle Loans	4,217	522,130	526,347
General Purpose Loans	206,268	4,017,950	4,224,218
Other	-	365	365
Consumer Loans –Indexed to FC	-	43,775	43,775
Housing Loans	-	41,319	41,319
Vehicle Loans	-	-	-
General Purpose Loans	-	2,456	2,456
Other	-	-	-
Consumer Loans-FC (**)	54	30,532	30,586
Housing Loans	-	9,037	9,037
Vehicle Loans	-	8,712	8,712
General Purpose Loans	54	12,783	12,837
Other	-	-	-
Individual Credit Cards-TL	1,725,716	-	1,725,716
With Installments	618,022	-	618,022
Without Installments	1,107,694	-	1,107,694
Individual Credit Cards-FC	7,379	-	7,379
With Installments	852	-	852
Without Installments	6,527	-	6,527
Personnel Loans-TL	6,067	28,636	34,703
Housing Loans	-	82	82
Vehicle Loans	-	-	-
General Purpose Loans	6,067	28,554	34,621
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	21,813	-	21,813
With Installments	8,436	-	8,436
Without Installments	13,377	-	13,377
Personnel Credit Cards-FC	194	-	194
With Installments	-	-	-
Without Installments	194	-	194
Overdraft Accounts-TL(Real Persons) (*)	434,408	-	434,408
Overdraft Accounts-FC(Real Persons)	885	-	885
Total	2,411,093	11,404,372	13,815,465

(*) Overdraft accounts include personnel loans amounting to TL3,883.

(**) Loans granted via branches abroad and TEB N.V.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	5,247,330	2,180,603	7,427,933
Business Loans	133,736	127,633	261,369
Vehicle Loans	673,470	257,660	931,130
General Purpose Loans	4,440,124	1,795,310	6,235,434
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	703,049	224,786	927,835
Business Loans	9,634	25,603	35,237
Vehicle Loans	76,569	69,911	146,480
General Purpose Loans	616,846	129,272	746,118
Other	-	-	-
Commercial loans with installment facility –FC	9,434	-	9,434
Business Loans	-	-	-
Vehicle Loans	2,395	-	2,395
General Purpose Loans	7,039	-	7,039
Other	-	-	-
Corporate Credit Cards-TL	714,908	-	714,908
With Installments	172,857	-	172,857
Without Installments	542,051	-	542,051
Corporate Credit Cards-FC	2,394	-	2,394
With Installments	-	-	-
Without Installments	2,394	-	2,394
Overdraft Accounts-TL(Legal Entities)	1,027,817	-	1,027,817
Overdraft Accounts-FC(Legal Entities)	75	-	75
Total	7,705,007	2,405,389	10,110,396

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	533,265	477,256
Private sector	45,572,397	38,824,219
Total	46,105,662	39,301,475

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	45,433,238	38,569,042
Foreign Loans	672,424	732,433
Total	46,105,662	39,301,475

h) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	30,950	23,408
Loans and receivables with doubtful collectability	117,053	88,774
Uncollectible loans and receivables	655,005	486,659
Total	803,008	598,841

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or reschedule:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectable
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Current Period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	18,258	10,121	3,140
Prior period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	12,775	7,985	4,612

j.2) The movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectable
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Prior period end balance	139,393	222,303	579,018
Additions (+)	809,200	6,580	73,534
Transfers from other categories of non-performing loans (+)	-	613,359	431,575
Transfers to other categories of non-performing loans (-)	613,359	431,575	-
Collections (-)	152,979	142,105	149,988
Write-offs (-)(*)	31	73	178,318
Corporate and commercial loans	-	-	67,300
Retail loans	14	42	60,903
Credit cards	17	31	50,115
Other	-	-	-
Current period end balance	182,224	268,489	755,821
Specific provision (-)	30,950	117,053	655,005
Net Balances on Balance Sheet	151,274	151,436	100,816

(*) The Bank’s amounting to TL174,635 of past due receivables portfolio for which TL174,477 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. for TL19,800 and after all the sales procedures were completed at 26 August 2014 with the completion of the necessary procedures, and such past due receivables have been written off from the accounts.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
31 December 2014 :			
Current period end balance	497	1,974	99,159
Specific provision (-)	49	328	95,122
Net Balance on Balance Sheet	448	1,646	4,037
31 December 2013 :			
Prior period end balance	1,854	5,514	86,291
Specific provision (-)	299	1,503	81,649
Net Balance on Balance Sheet	1,555	4,011	4,642

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	182,224	268,489	755,821
Specific provision (-)	30,950	117,053	655,005
Loans to Real Persons and Legal Entities (Net)	151,274	151,436	100,816
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	139,393	222,303	579,018
Specific provision (-)	23,408	88,774	486,659
Loans to Real Persons and Legal Entities (Net)	115,985	133,529	92,359
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

k) Main principles of liquidating non-performing loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006; loans and other receivables for which the collection is believed to be impossible are classified as nonperforming loans by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable non-performing loans can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	30,323,337	11,451,372	2,386,647	121,766	44,283,122
Past due not impaired	1,127,792	608,991	85,757	-	1,822,540
Individually impaired	756,261	263,494	186,779	-	1,206,534
Total	32,207,390	12,323,857	2,659,183	121,766	47,312,196
Specific Provision	511,933	162,052	129,023	-	803,008
Total	511,933	162,052	129,023	-	803,008
Total allowance for impairment	31,695,457	12,161,805	2,530,160	121,766	46,509,188

Prior Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	25,454,682	9,747,452	2,463,627	74,044	37,739,805
Past due not impaired	846,622	556,612	158,436	-	1,561,670
Individually impaired	621,980	175,386	143,348	-	940,714
Total	26,923,284	10,479,450	2,765,411	74,044	40,242,189
Specific Provision	396,758	99,643	102,440	-	598,841
Total	396,758	99,643	102,440	-	598,841
Total allowance for impairment	26,526,526	10,379,807	2,662,971	74,044	39,643,348

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1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands o Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

m) Other explanations and disclosures: (continued)

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

	Commercial	Consumer	CreditCards	Total
1 January 2014	396,758	99,643	102,440	598,841
Change for the period	271,406	144,957	101,859	518,222
Recoveries	(65,617)	(54,288)	(26,077)	(145,982)
Amounts written-off(*)	(97,018)	(28,260)	(49,199)	(174,477)
Foreign Currency Differences	6,404	-	-	6,404
31 December 2014 Balance	511,933	162,052	129,023	803,008
	Commercial	Consumer	CreditCards	Total
1 January 2013	317,144	58,630	71,726	447,500
Change for the period	221,288	74,637	75,312	371,237
Recoveries	(68,936)	(20,379)	(20,887)	(110,202)
Amounts written-off(**)	(81,983)	(13,245)	(23,711)	(118,939)
Foreign Currency Differences	9,245	-	-	9,245
31 December 2013 Balance	396,758	99,643	102,440	598,841

(*) TL174,635 of the non-performing loans portfolio of the Bank with TL174,477 provision has been sold to Girişim Varlık Yönetim A.Ş. for TL19,800 which has been collected as of 26 August 2014 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

(**) TL117,132 of the non-performing loans portfolio of the Bank with TL114,247 provision has been sold to LBT Varlık Yönetim A.Ş. for TL9,310 which has been collected as of 28 June 2013 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2014 is TL236,874 (31 December 2013: TL226,038).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

	Current Period	Prior Period
Mortgage	176,746	176,808
Vehicle	56,043	43,046
Cash	201	211
Other	3,884	5,973
Total	236,874	226,038

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

5. Information on loans: (Continued)

As of 31 December 2014 and 31 December 2013, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2014	Commercial	Consumer	Total
Residential, commercial or industrial property	72,087	6,988	79,075
Other	391	-	391
Total	72,478	6,988	79,466

31 December 2013	Commercial	Consumer	Total
Residential, commercial or industrial property	75,541	7,516	83,057
Other	160	-	160
Total	75,701	7,516	83,217

Aging analysis of past due but not impaired loans per classes of financial statements is as follows:

31 December 2014	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	715,205	231,125	181,462	1,127,792
Consumer Loans	275,799	239,728	93,464	608,991
Credit Cards	83,641	107	2,009	85,757
Total	1,074,645	470,960	276,935	1,822,540

31 December 2013	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	554,192	166,470	125,960	846,622
Consumer Loans	285,354	209,690	61,568	556,612
Credit Cards	158,357	2	77	158,436
Total	997,903	376,162	187,605	1,561,670

Total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Group held as at 31 December 2014 is TL861,640 (31 December 2013: TL1,049,199).

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

	Current Period	Prior Period
Mortgage	611,346	775,253
Vehicle	117,862	179,319
Cash	14,267	11,439
Other	118,165	83,188
Total	861,640	1,049,199

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on held-to-maturity investments:

a) a.1) Held-to-maturity investments subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

a.2) Information on held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury bill and similar securities	271,749	-	197,274	-
Other	-	-	-	-
Total	271,749	-	197,274	-

Unrestricted financial assets held-to maturity amounting to TL45,611 (31 December 2013: TL95,682).

a.3) Information on held to maturity debt securities:

	Current Period	Prior Period
Government bonds	317,360	292,956
Treasury bills	-	-
Other public sector debt securities	-	-
Total	317,360	292,956

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities	317,360	292,956
Quoted on a stock exchange	317,360	292,956
Unquoted	-	-
Impairment provision(-)	-	-
Total	317,360	292,956

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	292,956	20,415
Foreign currency differences on monetary assets	-	5,727
Purchases during the year (*)	24,404	292,956
Disposals through sales and redemptions	-	(26,142)
Impairment provision (-)	-	-
Change in amortized cost income	-	-
Closing Balance	317,360	292,956

(*) Accruals are included in purchases during the year.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

7. Information on associates (Net):

- a) a.1) Information on consolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2013: None).
- a.2) Information on the unconsolidated associates: None (31 December 2013: None).
- a.3) Information on the consolidated associates: None (31 December 2013: None).
- a.4) Valuation of consolidated associates: None (31 December 2013: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2013: None).

8. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

There is no necessity of capital that arises from subsidiaries included in parent bank’s consolidated capital adequacy standard ratio.

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2013: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2013: None).
- d) Information on the consolidated subsidiaries:

- d.1) Information on the consolidated subsidiaries:

Description	Address (City/ Country)	Group’s share percentage-If different voting percentage (%)	Other shareholders’ share percentage (%)
The Economy Bank N.V.(*)	Holland	100.00	-
TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	-
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	54.74	45.26

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

Total Assets	Shareholder’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1,420,508	297,028	9,793	74,519	3,814	13,281	12,529	-
1,355,151	76,941	1,250	89,750	-	15,831	14,259	-
146,940	85,101	1,763	14,724	431	7,966	9,098	-
18,496	16,326	420	1,516	95	2,006	3,818	-

(*) Represents financial figures of foreign currency statutory financial statements translated at period end foreign exchange rates for balance sheet and twelve months’ average rates for profit and loss as of 31 December 2014. The Economy Bank NV has two consolidated subsidiaries named Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

(**) These figures are shown per BRSA financial statements as of 31 December 2013.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	199,281	173,922
Movements during the period	9,362	25,359
Purchases	-	25,275
Bonus shares obtained	9,379	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	(17)	84
Balance at the end of the period	208,643	199,281
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

		Current Period	Prior Period
Banks	/ The Economy Bank N.V.	61,254	61,254
Factoring Companies	/ TEB Faktoring A.Ş.	68,691	59,312
Other Financial Subsidiaries	/ TEB Yatırım Menkul Değerler A.Ş.	72,941	72,941
	TEB Portföy Yönetimi A.Ş.	5,354	5,354
	Stichting Effecten Dienstverlening (*)	352	367
	Kronenburg Vastgoed B.V. (*)	51	53
Total		208,643	199,281

(*) Fully consolidated to The Economy Bank NV.

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2013: None).

9. Information on entities under common control (Joint Vent.):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current asset	Long-term receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	12,884	10,662	753	67,020	(64,017)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank’s financial statements.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

10. Information on finance lease receivables (Net): None (31 December 2013: None).

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

11. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	1,681	-	56,899	63
Cash flow hedge	59,119	-	55,283	-
Hedge of net investment in foreign operations	-	-	-	-
Total	60,800	-	112,182	63

The Parent Bank has terminated ineffective cash flow hedge that takes into account IRS transactions. According to the related cash flow hedge as of 31 December 2014, accumulated valuation differences negatively amounted TL9,419 is traced on the statement of profit and loss accounted for under equity and these accumulated differences are transferred into income statement, considering periods when hedged transactions have affected or will affect loss and profit.

12. Information on investment property:

	31 December 2013	Additions	Disposals	Other	31 December 2014
Cost:					
Land and buildings	119,322	-	(2,276)	(490)	116,556
Leased tangible assets	43,119	-	(6,315)	-	36,804
Other	825,536	82,244	(41,107)	(186)	866,487
Total Cost	987,977	82,244	(49,698)	(676)	1,019,847
		Period			
	31 December 2013	Charge	Disposals	Other	31 December 2014
Accumulated Depreciation:					
Land and buildings	37,590	3,898	(773)	(109)	40,606
Leased tangible assets	43,056	24	(6,315)	-	36,765
Other	574,374	81,999	(39,834)	(182)	616,357
Total Accumulated Depreciation	655,020	85,921	(46,922)	(291)	693,728
Net Book Value	332,957				326,119

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

13. Information on intangible assets:

	31 December 2013	Additions	Disposals	Other	31 December 2014
Cost:					
Other intangibele assets	177,345	27,977	-	(142)	205,180
Total Cost	177,345	27,977	-	(142)	205,180
		Period			
	31 December 2013	Charge	Disposals	Other	31 December 2014
Accumulated Depreciation:					
Other intangibele assets	121,645	27,049	-	(97)	148,597
Total Accumulated Depreciation	121,645	27,049	-	(97)	148,597
Net Book Value	55,700	-	-	-	56,583

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

13. Information on intangible assets: (Continued)

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: None
- i) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

After the publishing 10 February 2011 dated permission of BRSA in official gazette on 12 February 2011, with recording to Istanbul Trade Registration Office by means of the expire of Fortis Bank A.Ş legal entity, by assigning all rights, receivables, payables and obligations to Bank, the merging of Fortis Bank A.Ş. with TEB A.Ş. was occurred. Due to the merging, in exchange for every TL1 amounted dissolved share of Fortis Bank A.Ş. changed with 1.0518 unit nominative TEB shares. Due to that the Bank is not managed by the same person and persons before and after merging, this operation was evaluated in the scope of IFRS 3. In merging operation, Fortis Bank was decided as acquired management, 14 February 2011 dated fair value of shareholders equity subjected to merging was decided as transfer cost and the difference between this decided value and the fair value of acquired net identifiable assets of Fortis Bank A.Ş. was recorded as goodwill.

	Current Period	Prior Period
Beginning balance	421,124	421,124
Foreign Currency Differences	-	-
Acquired	-	-
End Balance	421,124	421,124

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

14. Information on investment property: None (31 December 2013: None).

15. Information on held deferred tax asset:

- a) As of 31 December 2014, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL105,608 (31 December 2013: TL41,103). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax asset:

	Current Period	Prior Period
At January 1	41,103	132,396
Deferred tax benefit / (charge)	62,820	(103,658)
Deferred tax accounted for under equity	494	14,559
Other	35	(2,194)
Deferred Tax Asset(*)	104,452	41,103

(*) In current period, TL105,608 deferred tax asset and TL1,156 deferred tax liability presented as net amount on movement of deferred tax. Information on deferred tax liability is stated in Section Five Note II.8.c.

16. Information on held for sale fixed assets and discontinued operations:

	Current Period	Previous Period
Beginning of Period Cost	86,505	64,091
Beginning of Period Accumulated Depreciation (-)	3,288	2,501
Net Book Value	83,217	61,590
Opening Balance	83,217	61,590
Acquired	64,855	67,064
Disposed(-)	64,167	37,801
Impairment (-)	2,087	5,463
Depreciation Value (-)	2,352	2,173
End of Period Cost	83,187	86,505
End of Period Accumulated Depreciation (-)	3,721	3,288
Closing Net Book Value	79,466	83,217

17. Information on factoring receivables of Group:

- a) Maturity Analysis:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short term (*)	907,446	449,121	659,865	451,690
Medium and Long Term	-	-	-	-
Specific provisions (-)	22,812	833	18,027	841
Total	884,634	448,288	641,838	450,849

(*) Amounting to TL30,568 (31 December 2013: TL24,416) impaired factoring receivable included.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

b) Other explanations and disclosures:

Current Period	Commercial	Consumer	Total
Neither past due nor impaired	1,312,975	-	1,312,975
Past due not impaired	13,024	-	13,024
Individually impaired	30,568	-	30,568
Total	1,356,567	-	1,356,567
Specific Provision	23,645	-	23,645
Total allowance for impairment	23,645	-	23,645
Net credit balance on balance sheet	1,332,922	-	1,332,922

Prior Period	Commercial	Consumer	Total
Neither past due nor impaired	1,068,857	-	1,068,857
Past due not impaired	18,282	-	18,282
Individually impaired	24,416	-	24,416
Total	1,111,555	-	1,111,555
Specific Provision	18,868	-	18,868
Total allowance for impairment	18,868	-	18,868
Net credit balance on balance sheet	1,092,687	-	1,092,687

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II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	928,314	-	3,744,377	9,897,136	396,187	26,609	28,648	-	15,021,271
Foreign currency deposits	2,551,598	-	2,135,214	6,498,671	207,751	206,362	232,441	-	11,832,037
Residents in Turkey	1,969,153	-	1,840,428	6,210,638	162,519	118,822	129,515	-	10,431,075
Residents abroad	582,445	-	294,786	288,033	45,232	87,540	102,926	-	1,400,962
Public sector deposits	247,153	-	37,999	13,682	7,954	-	-	-	306,788
Commercial deposits	1,941,294	-	1,555,010	4,309,923	240,927	9,982	4,130	-	8,061,266
Other institutions deposits	41,975	-	47,241	2,954,090	315,810	1,088	45	-	3,360,249
Precious metals deposits	222,298	-	70,470	152,932	24,197	7,725	-	-	477,622
Interbank deposits	40,299	-	619,179	638,234	42,220	29,763	2,122	-	1,371,817
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	33	-	-	-	-	6,507	2,122	-	8,662
Foreign Banks	38,233	-	619,179	638,234	42,220	23,256	-	-	1,361,122
Special finance houses	2,033	-	-	-	-	-	-	-	2,033
Other	-	-	-	-	-	-	-	-	-
Total	5,972,931	-	8,209,490	24,464,668	1,235,046	281,529	267,386	-	40,431,050

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	876,125	-	3,681,611	6,883,524	766,696	46,239	37,610	-	12,291,805
Foreign currency deposits	2,417,339	-	2,176,506	4,966,664	448,276	180,681	359,401	-	10,548,867
Residents in Turkey	1,703,968	-	2,073,287	4,692,133	388,203	76,418	217,931	-	9,151,940
Residents abroad	713,371	-	103,219	274,531	60,073	104,263	141,470	-	1,396,927
Public sector deposits	220,770	-	5,665	23,918	348,071	-	-	-	598,424
Commercial deposits	1,975,280	-	1,459,912	3,483,412	468,387	47,433	12,942	-	7,447,366
Other institutions deposits	39,641	-	35,709	1,282,074	965,682	352	16,294	-	2,339,752
Precious metals deposits	408,705	-	114,088	127,414	6,669	14,484	-	-	671,360
Interbank deposits	107,038	-	1,458,488	59,754	-	8,182	2,110	-	1,635,572
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	113	-	262,663	2,024	-	8,182	2,110	-	275,092
Foreign Banks	37,775	-	1,195,825	57,730	-	-	-	-	1,291,330
Special finance houses	69,150	-	-	-	-	-	-	-	69,150
Other	-	-	-	-	-	-	-	-	-
Total	6,044,898	-	8,931,979	16,826,760	3,003,781	297,371	428,357	-	35,533,146

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)		Exceeding the limit of Insurance(*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	6,971,655	5,759,987	7,594,770	6,148,459
Foreign currency saving deposits	1,345,618	1,097,403	4,300,796	4,162,071
Other deposits in the form of saving deposits	184,386	282,197	250,282	327,503
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	8,501,659	7,139,587	12,145,848	10,638,033

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

ii) Deposit of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Deposits and accounts in branches abroad	212,102	208,053
Deposits of ultimate shareholders and their close families	1,108,411	766,595
Deposits of chairman and members of the Board of Directors and their close families	25,856	27,526
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	83,456	15,036	56,913	5,435
Swap Transactions	173,297	107,236	233,404	32,373
Futures Transactions	-	-	-	-
Options	55,852	13,781	147,561	7,145
Other	-	-	-	-
Total	312,605	136,053	437,878	44,953

3. a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	373,102	161,717	231,503	220,561
From Foreign Banks, Institutions and Funds	609,128	9,221,518	833,644	6,696,839
Total	982,230	9,383,235	1,065,147	6,917,400

As of 31 December 2014 the Group has borrowings from its related parties amounting to TL5,560,693 (31 December 2013: TL3,846,609).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	730,272	8,997,587	754,335	6,435,764
Medium and long-term	251,958	385,648	310,812	481,636
Total	982,230	9,383,235	1,065,147	6,917,400

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

3. Maturity analysis of borrowings: (Continued)

c) Additional explanation related to the concentrations of the Parent Bank’s major liabilities:

The Parent Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2014 foreign borrowings of the Bank includes syndication loan obtained with the agreement dated 21 August 2015 and 26 August 2015 maturity amounting to EUR335,000,000 and USD180,000,000.

The Parent Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

d) Explanations on marketable securities issued :

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	1,756,987	-	1,062,443	-
Financial institutions and organizations	1,756,987	-	1,062,443	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	1,756,987	-	1,062,443	-

e) Explanations on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	696,679	294,904	507,046	-
Treasury Bills	-	-	203,230	-
Total	696,679	294,904	710,276	-

The bond issued by the Parent Bank on 11 September 2014 with a nominal value of TL228,205 maturity of 173 days, with due date of 4 March 2015, with an interest rate of 9.42573% and with an annual compound rate of 9.65978% has started to be publicly traded in bonds and bills markets with the ISIN code “TRQTEBK31510”.

The bond issued under Euro Medium Term Note Program by the Parent Bank on 17 October 2014 with a nominal value of USD20,600,000 with due date of 22 January 2015 has started to be publicly traded in bonds and bill market with the ISIN code “XS1124323962”.

The bond issued under Euro Medium Term Note Program by the Parent Bank on 2 October 2014 with a nominal value of USD21,800,000 with due date of 5 January 2015 has started to be publicly traded in bonds and bill market with the ISIN code “XS1115428994”.

The bond issued by the Parent Bank on 20 October 2014 with a nominal value of TL254,481 maturity of 176 days, with due date of 15 April 2015, with an interest rate of 9.58505% and with an annual compound rate of 9.82318% has started to be publicly traded in bonds and bills markets with the ISIN code “TRQTEBK41519”.

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3. Maturity analysis of borrowings: (Continued)

The bond issued by the Parent Bank on 20 October 2014 with a nominal value of TL26,859 maturity of 302 days, with due date of 19 August 2015, with an interest rate of 9.80483% and with an annual compound rate of 9.88609% has started to be publicly traded in bonds and bills markets with the ISIN code “TRQTEBK81515”.

The bonds issued under Euro Medium Term Note Program by the Parent Bank on 30 October 2014 with a nominal value of USD31,000,000 with due date of 30 April 2015 and USD28,800,000 with due date of 29 January 2015 have started to be publicly traded in bonds and bill market with the ISIN codes “XS1129620420” and “XS1129546195”.

The bond issued under Euro Medium Term Note Program by the Parent Bank on 06 November 2014 with a nominal value of USD24,400,000 with due date of 06 February 2015 has started to be publicly traded in bonds and bill market with the ISIN code “XS1135141676”.

The bond issued by the Parent Bank on 27 November 2014 with a nominal value of TL241,314 maturity of 166 days, with due date of 13 May 2015, with an interest rate of 8.24530% and with an annual compound rate of 8.43108% has started to be publicly traded in bonds and bill market with the ISIN code “TRQTEBK51518”.

4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total: None (31 December 2013: None).

5. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the group:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables: None (31 December 2013: None).

d) Explanations regarding operational leases:

For the period ended 31 December 2014, operational lease expenses amounting to TL186,770 (31 December 2013: TL161,997) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

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6. Information on derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	11,264	-	15,616	-
Cash flow hedge	302,606	-	53,822	-
Hedge of net investment in foreign operations	-	-	-	-
Total	313,870	-	69,438	-

The Parent Bank has terminated ineffective cash flow hedge that takes into account IRS transactions. According to the related cash flow hedge as of 31 December 2014, accumulated valuation differences negatively amounted TL9,419 is traced on the statement of profit and loss accounted for under equity and these accumulated differences are transferred into income statement, considering periods when hedged transactions have affected or will affect loss and profit.

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	491,561	420,060
Additional Provision for Loans and Receivables with Extended Maturities	16,595	34,222
Provisions for Second Group Loans and Receivables	71,552	60,270
Additional Provision for Loans and Receivables with Extended Maturities	2,590	7,809
Provisions for Non-Cash Loans	35,130	29,212
Other	3,866	3,034
Total	621,294	554,607

b) Foreign exchange losses on the foreign currency indexed loans amounting to TL15,704 (31 December 2013: TL83,440) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TL42,821 (31 December 2013: TL34,791).

d) Liabilities on unused vacation, bonus and employee termination benefits:

As of 31 December 2014 TL23,588 (31 December 2013: TL26,725) unused vacation provision, TL101,658 (31 December 2013: TL89,348) employee termination benefit provision, TL94,651 (31 December 2013: TL72,177) bonus for the employee are presented under “Reserve for Employee Benefit” in financial statements.

d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	89,348	93,125
Service cost	14,599	12,590
Interest cost	9,570	6,789
Settlement cost	2,900	1,745
Actuarial loss	(5,971)	(19,609)
Benefits paid	(8,788)	(5,356)
Increase due to merger	-	64
Total	101,658	89,348

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7. Information on provisions: (Continued)

(i) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Parent Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2014 and 31 December 2013. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions,

	31 December 2014	31 December 2013
Transferrable Retirement and Health Liabilities:		
Net Present Value of Transferrable Retirement Liabilities	(1,024,427)	(915,853)
Net Present Value of Transferrable Retirement and Health Contributions	528,309	525,943
General Administration Expenses	(10,243)	(9,159)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(506,361)	(399,069)
Fair Value of Plan Assets (2)	1,387,693	1,264,472
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	881,332	865,403
Non-Transferable Benefits (4)	(206,832)	(219,301)
Asset Surplus over Total Benefits ((3)-(4))	674,500	646,102

Distribution of total assets of the Retirement Fund as of 31 December 2014 and 31 December 2013 is presented below:

	31 December 2014	31 December 2013
Bank placements	1,299,485	1,159,056
Tangible assets	71,266	68,267
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	15,220	35,742
Other	1,722	1,407
Total	1,387,693	1,264,472

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on IAS 19 are as follows:

	31 December 2014	31 December 2013
Discount Rate	8.80%	10.10%
Expected Inflation Rate	5.00%	6.50%

As of 31 December 2014, medical inflation is expected more than 20% (31 December 2013: 40%). General wage increases and Social Security Institution (the “SSI”) increase of ceiling rate is expected in parallel to inflation rate In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2013: CSO 2001) Female/Male mortality table is used.

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7. Information on provisions: (Continued)

e) Information on other provisions:

The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for unindemnified non-cash loans	42,821	34,791
Provision for legal cases	37,704	35,796
Provision for promotions of credit cards and banking services	12,625	12,204
Other	62,083	18,783
Total	155,233	101,574

8. Explanations on taxes payable:

a) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	87,155	15,169
Taxation on Securities	35,744	26,948
Property Tax	2,202	1,804
Banking Insurance Transaction Tax (BITT)	36,559	29,518
Foreign Exchange Transaction Tax	13	15
Value Added Tax Payable	5,229	6,435
Other (*)	20,177	17,088
Total	187,079	96,977

(*) Others include income taxes deducted from wages amounting to TL14,101 (31 December 2013: TL12,436) and stamp taxes payable amounting to TL1,361 (31 December 2013: TL1,233).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5,465	4,646
Social Security Premiums-Employer	6,310	5,410
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	481	430
Unemployment Insurance-Employer	769	652
Other	-	-
Total	13,025	11,138

c) Explanations on deferred tax liabilities, if any: As of 31 December 2014, deferred tax liabilities amounting to TL1,156 (31 December 2013: None).

9. Information on liabilities regarding assets held for sale and discontinued operations:

None (31 December 2013: None).

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

10) Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Parent Bank has signed an agreement with the International Finance Corporation (IFC) on 27 June 2005, for a subordinated loan. The facility is a USD 50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual.

The Parent Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR175 million. Since the coupon rate of the issue amounting to EUR 100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR 100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,537.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR96,878,527.78 is transferred to the bank accounts.

The Parent Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD65 million on 14 May 2012. The semi annually interest rate of the issuance is determined as USD Libor + %5.75. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA).

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of EURO 100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA.

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of EURO125 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 2.1%. there is no option to repay within the first five years. The debt instrument can be amortized on 27 June 2018 with the resolution of the BoD and upon the approval of the BRSA

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD 65 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 3.40%. there is no option to repay within the first five years. The debt instrument can be amortized on 28 June 2018 with the resolution of the BoD and upon the approval of the BRSA

The above mentioned five subordinated loans are utilized in-line with the “loan capital” definition of BRSA) and will positively effect the capital adequacy ratio of the Parent Bank as well as utilizing long term fundings.

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10. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (Continued)

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Instutions	-	-	-	-
From Foreign Banks	-	1,128,132	-	1,175,535
From Other Foreign Instutions	-	657,783	-	602,788
Total	-	1,785,915	-	1,778,323

11. Information on Shareholders’ Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock	2,204,390	2,204,390
Preferred stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases and their sources; other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Parent Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank’s equity:

Prior year income, profitability and liquidity of the Parent Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for the Parent Bank’s future interest income via simulations of net interest income and scenario analysis.

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11. Information on Shareholders’ Equity: (Continued)

g) Information on preferred shares:

7% of the Parent Bank’s remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Parent Bank’s 0,06 shares of TL30 (in full TL) is distributed to the founder shares.

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(25,613)	1,035	(100,521)	(2,126)
Foreign Exchange Difference	-	-	-	-
Total	(25,613)	1,035	(100,521)	(2,126)

Government debt securities nominal amounting to TL224,275 which had been accounted as financial assets available for sale, as of 25 September 2013, The Parent Bank classified these securities with the market value amounting to TL287,008 in held to maturity investment. As of 25 September 2013, accrued valuation difference amounting to negatively TL38,362 of reclassified securities available for sale has been following under shareholders’ equity. This accrued valuation difference is subjected to amortization according to days to maturity and transferred to profit/loss accounts. As of 31 December 2014, total accrued valuation difference of these securities following under shareholders’ equity is negatively TL31,146 (31 December 2013: TL36,973).

12. Information on minority shares: As of 31 December 2014, part of the group equity that belongs to minority shares is TL7,390 (31 December 2013: TL7,990).

13. Information on factoring liabilities: As of 31 December 2014 group has factoring debt of TL7,832 (31 December 2013: TL8,012).

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Loan granting commitments	4,336,542	3,853,759
Commitments for credit card expenditure limits	4,101,473	3,545,841
Payment commitment for checks	2,186,510	2,002,630
Forward asset purchase commitments	1,689,251	1,742,558
Tax and fund liabilities from export commitments	24,189	12,503
Commitments for promotions related with credit cards and banking activities	5,178	4,451
Forward deposit purchase commitments	-	101,194
Other irrevocable commitments	401,570	286,195
Total	12,744,713	11,549,131

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period	Prior Period
Letters of Credit	1,508,547	1,688,889
Bank Acceptances	62,150	271,178
Other Commitments	1,802,337	1,420,669
Other Contingencies	440,207	419,412
Total	3,813,241	3,800,148

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	5,659,329	5,333,081
Advance Guarantee Letters	1,098,182	1,159,907
Temporary Guarantee Letters	481,798	477,487
Guarantee Letters Given for Customs	340,349	377,222
Other Guarantee Letters	706,736	548,101
Total	8,286,394	7,895,798

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	512,651	782,270
With maturity of 1 year or less than 1 year	24,310	7,209
With maturity of more than 1 year	488,341	775,061
Other non-cash loans	11,586,984	10,913,676
Total	12,099,635	11,695,946

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

1. Information on off-balance sheet liabilities: (Continued)

c.2) Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	85,575	1.58	38,463	0.57	71,081	1.50	45,051	0.65
Farming and raising livestock	57,315	1.06	32,392	0.48	53,208	1.12	39,686	0.57
Forestry, Wood and Paper	21,836	0.40	6,071	0.09	16,956	0.36	5,365	0.08
Fishery	6,424	0.12	-	-	917	0.02	-	-
Manufacturing	2,381,505	44.03	3,680,524	55.02	2,165,556	45.56	3,733,586	53.78
Mining and Quarry	140,719	2.60	308,516	4.61	138,368	2.91	225,551	3.25
Production	2,179,276	40.29	3,303,381	49.38	1,972,506	41.50	3,423,583	49.31
Electricity, Gas and Water	61,510	1.14	68,627	1.03	54,682	1.15	84,452	1.22
Construction	1,183,909	21.89	1,287,903	19.25	1,107,734	23.31	1,291,228	18.60
Services	1,659,868	30.69	871,478	13.02	1,323,725	27.85	957,184	13.79
Wholesale and Retail Trade	695,905	12.86	109,808	1.64	601,981	12.67	187,905	2.71
Hotel, Tourism, Food and Beverage Services	46,956	0.87	48,973	0.73	43,405	0.91	29,905	0.43
Transportation and Communication	285,443	5.28	337,210	5.04	242,465	5.10	388,506	5.60
Financial Institutions	217,826	4.03	166,418	2.49	113,596	2.39	232,354	3.35
Real Estate and Renting	163,889	3.03	67,608	1.01	144,737	3.05	64,203	0.92
Self-employment Services	111,835	2.07	69,656	1.04	93,798	1.97	33,518	0.48
Education Services	6,185	0.11	1,405	0.02	5,886	0.12	4,269	0.06
Health and Social Services	131,829	2.44	70,400	1.05	77,857	1.64	16,524	0.24
Other	98,603	1.81	811,807	12.14	84,489	1.78	916,312	13.18
Total	5,409,460	100.00	6,690,175	100.00	4,752,585	100.00	6,943,361	100.00

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group		II nd Group	
	TL	FC	TL	FC
Letters of guarantee	4,135,995	4,076,447	57,041	16,911
Bank acceptances	-	62,150	-	-
Letters of credit	-	1,508,031	-	516
Endorsements	-	-	-	-
Underwriting commitments .	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,212,479	1,026,120	3,945	-
Total	5,348,474	6,672,748	60,986	17,427

The Group provided a reserve of TL74,447 (31 December 2013: TL62,012) for non-cash loans not indemnified yet amounting to TL42,821 (31 December 2013: TL34,791) and reflected that in financial statements.

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	58,692,299	49,986,750	-	-
Forward transactions	7,918,769	8,907,614	-	-
Swap transactions	33,065,343	20,849,320	-	-
Futures transactions	-	-	-	-
Option transactions	17,708,187	20,229,816	-	-
Interest related derivative transactions (II):	4,866,700	7,571,274	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	4,864,376	7,295,012	-	-
Interest option transactions	2,324	276,262	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	3,425	-	-	-
A.Total trading derivative transactions (I+II+III+IV)	63,562,424	57,558,024	-	-
Types of hedging transactions				
Fair value hedges	-	-	691,940	612,066
Cash flow hedges	-	-	10,394,271	3,916,034
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	11,086,211	4,528,100
Total Derivative Transactions (A+B)	63,562,424	57,558,024	11,086,211	4,528,100

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value by the Parent Bank.

i) Derivative instruments for fair value hedging purposes:

The Bank applies fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2014, nominal value of derivative instruments used for hedging purposes is TL691,940 (31 December 2013: TL599,491) and their net fair value is negative TL9,583 (31 December 2013: TL40,563 negative) and their fair value of the hedged loans is TL6,077 (31 December 2013: TL3,404). The Bank accounts TL8,726 income (31 December 2013: TL78,670 income) for derivative instruments used for hedging purposes and TL2,673 income (31 December 2013: TL12,905 expense) from hedged item loans in the financial statements. Regarding the available-for-sale securities, the amount related to the effective portion is accounted TL 150 (31 December 2013: None) which is accounted as TL120 (31 December 2013: None) in the financial statements net-off tax.

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2. Information related to derivative financial instruments(Continued):

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	691,940	1,681	11,264	612,066	56,962	15,616
	691,940	1,681	11,264	612,066	56,962	15,616

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio having total notional amounting to TL10,394,271 with the deposit portfolio having maturity of up to 90 days. Effective portion of TL75,147 (31 December 2013: TL40,232 debit) credit accounted for under equity is presented after deducting its deferred tax effect of TL15,029 (31 December 2013: TL8,046 credit) debit in the financial statements. In 2014, the ineffective portion of TL459 expense (31 December 2013: TL1,427 income) is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Interest Rate Swaps	10,394,271	59,119	302,606	3,916,034	55,283	53,822

3. Explanations on contingent liabilities and assets:

- a) a.1) The Group's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Group’s contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2014, there are no contingent assets that need to be explained (31 December 2013: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

Following a resolution in favor of the Bank in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of the Bank by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TL364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Bank between the years 2003 and 2006.

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On the other hand, the Tax Office has not taken into consideration the deduction amount of TL144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL15,510 and levied a fine of TL16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

The Tax Office filed an appeal against the ruling; however, the 4th Administration of Council of State resolution no: K:2007/4747 ruled that the defendant’s claim on the Management’s double loss deduction should be initially reviewed and a new ruling should be made accordingly. Therefore the tax office’s resolution is overruled by the Council of State.

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State’s overruling and conducted the litigation in favor of the Bank upon its resolution no: K:2010/2377, TL48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Bank has increased the tax base by TL2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 “Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements”.

4. Custodian and intermediary services:

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the consolidated statement of contingencies and commitments.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2014 the total nominal value and number of certificates are TL1,666,917 and 166,682,310 thousand (31 December 2013: TL1,726,206 and 172,616,885 thousand) and the total fair value is TL8,290,103 (31 December 2013: TL8,212,029).

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Contingencies and Commitments (Continued)

5. The information on the Bank’s rating by the international rating introductions (*):

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

Moody’s Investor Services: June 2014

View	Negative
Bank Financial Strength	D
Foreign Currency Deposits	Baa3/P-3

Fitch Ratings: August 2014

Foreign Currency Commitments

Long term	BBB
Short term	F3
View	Stable

Turkish Lira Commitments

Long term	BBB+
Short term	F2
View	Stable
National	AAA (tur)
View	Stable

Individual Rating bbb-

Support Points 2

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	2,668,541	155,615	1,794,726	145,092
Medium and long term loans	1,746,332	181,494	1,548,431	181,595
Interest on non-performing loans	34,133	-	35,228	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	4,449,006	337,109	3,378,385	326,687

(*) Includes fees and commissions obtained from cash loans amounting to TL116,306 (31 December 2013: TL121,487).

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	26,807	219	3,519	279
Foreign banks	3,896	1,031	3,418	1,128
Branches and head office abroad	-	-	-	-
Total	30,703	1,250	6,937	1,407

c) Information on interest received from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	32,586	1,128	62,629	834
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	360,095	3,423	291,201	1,146
Investments Held-to-Maturity	29,077	-	7,893	472
Total	421,758	4,551	361,723	2,452

d) Information on interest received from associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

2. a) Information on interest on funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	15,767	4,949	9,214	5,806
Foreign banks	51,201	149,165	83,562	123,512
Branches and head office abroad	-	-	-	-
Other financial institutions	-	13,865	-	13,030
Total	66,968	167,979	92,776	142,348

(*) Includes fees and commission expenses of cash loans amounting to TL5,617 (31 December 2013: TL5,303).

b) Information on interest expenses to associates and subsidiaries:

Interest expenses to associates and subsidiaries are eliminated in the consolidated financial statements.

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	54,865	656	32,288	-
Total	54,865	656	32,288	-

d) Distribution of interest expense on deposits based on maturity of deposits:

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank deposits	1,374	18,941	130	43	918	140	-	21,546
Saving deposits	257	308,346	805,031	43,996	2,624	2,456	-	1,162,710
Public sector deposits	1	140	1,928	3,277	-	-	-	5,346
Commercial deposits	5	100,946	373,048	29,519	824	1,244	-	505,586
Other deposits	-	13,321	196,939	100,202	566	119	-	311,147
7 days call accounts	-	-	-	-	-	-	-	-
Total	1,637	441,694	1,377,076	177,037	4,932	3,959	-	2,006,335
FC								
Foreign currency deposits	346	32,885	179,301	7,756	4,687	9,411	-	234,386
Bank deposits	22	513	1,452	153	48	-	-	2,188
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,051	2,696	154	299	-	-	4,200
Total	368	34,449	183,449	8,063	5,034	9,411	-	240,774
Grand Total	2,005	476,143	1,560,525	185,100	9,966	13,370	-	2,247,109

Prior Period

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank deposits	666	22,356	2,164	449	182	253	-	26,070
Saving deposits	515	259,425	498,568	132,083	17,525	4,823	-	912,939
Public sector deposits	1	2,095	10,412	14,184	68	-	-	26,760
Commercial deposits	159	84,137	273,304	46,984	4,805	173	-	409,562
Other deposits	-	5,274	88,404	46,874	30,401	1,542	-	172,495
7 days call accounts	-	-	-	-	-	-	-	-
Total	1,341	373,287	872,852	240,574	52,981	6,791	-	1,547,826
FC								
Foreign currency deposits	627	48,198	121,508	16,622	5,786	10,231	-	202,972
Bank deposits	46	434	956	84	-	136	-	1,656
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,573	2,518	355	258	-	-	4,704
Total	673	50,205	124,982	17,061	6,044	10,367	-	209,332
Grand Total	2,014	423,492	997,834	257,635	59,025	17,158	-	1,757,158

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	1,339	1,761
Other	-	-
Total	1,339	1,761

4. Information on net trading income:

	Current Period	Prior Period
Income	13,195,333	8,914,952
Gains on capital market operations	50,736	138,179
Gains on derivative financial instruments (*)	3,418,651	3,075,979
Foreign exchange gains (**)	9,725,946	5,700,794
Losses (-)	13,567,692	8,848,432
Losses on capital market operations	37,638	97,348
Loss on derivative financial instruments (*)	4,262,100	2,623,893
Foreign exchange losses (**)	9,267,954	6,127,191

(*) As of 31 December 2014, foreign exchange losses on hedging transactions are TL55,932 (31 December 2013: TL59,485 net profit).

(**) Foreign exchange gains on derivative financial transactions are TL83,998 (31 December 2013: TL98,883 foreign exchange losses).

5. Information on other operating income:

Other operating income of the bank consists of reversals of specific provisions which are booked in earlier periods amount to TL89,645 (31 December 2013: TL88,867) and amount to TL19,720 (31 December 2013: TL7,709) from selling past due receivables portfolio and all the transaction cost collected from the clients and disposal of assets.

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	466,439	354,009
III. Group Loans and Receivables	115,967	89,683
IV. Group Loans and Receivables	143,354	112,848
V. Group Loans and Receivables	207,118	151,478
General provision expenses	70,329	132,153
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investments held to maturity	-	-
Other	39,078	10,034
Total	575,846	496,196

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	874,750	775,584
Reserve for employee termination benefits	27,740	21,430
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	85,921	70,277
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	27,049	15,164
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	2,087	5,463
Depreciation expenses of assets to be disposed	2,352	2,173
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	707,139	637,744
Rent expenses	186,770	161,997
Maintenance expenses	27,899	28,178
Advertisement expenses	73,386	80,420
Other expenses	419,084	367,149
Loss on sales of assets	4,031	1,266
Other(*)	313,434	246,050
Total	2,044,503	1,775,151

(*) Included TL54,654 (31 December 2013: TL43,951) in other premiums paid to the Saving Deposit Insurance Fund, TL81,389 (31 December 2013: TL83,010) is other taxes and duties paid .

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

Profit before tax of the Bank consists of net interest income and net fees and commission income amounting to TL2,675,010 (31 December 2013: TL2,064,461) and TL933,158 (31 December 2013: TL701,692), respectively; while operating expenses are TL2,044,503 (31 December 2013: TL1,775,151).

9. Information on tax provision for continued and discontinued operations:

- a) As of 31 December 2014, continuing operations’ current tax charge is TL246,967 (31 December 2013: TL71,155) and deferred tax charge is TL62,820 (31 December 2013: TL103,658 deferred tax charge), there is no current tax charge and deferred tax benefit in the current period from discontinued operations (31 December 2013: None).
- b) Deferred tax benefit on temporary differences resulted from discontinued operations is TL62,820 (31 December 2013: TL103,658 deferred tax charge).

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

9. Information on tax provision for continued and discontinued operations: (continued)

c) Tax reconciliation:

	Current Period	Prior Period
Profit on continued and discontinued operations before taxes	826,601	745,357
Additions	104,284	165,957
Disallowables	26,389	29,924
General loan loss provision	71,237	131,548
Effect of different tax rate	4,461	4,311
Other	2,197	174
Deductions	(9,889)	(37,248)
Dividend income	(1,206)	(1,673)
Other	(8,683)	(35,575)
Taxable Profit / (Loss)	920,996	874,066
Corporate tax rate	20%	%20
Tax calculated for continued and discontinued operations	184,199	174,813
Effect of tax account adjustment in the prior period	(52)	-
Tax Expense	184,147	174,813

As of 31 December 2014, current tax charge is TL246,967 (31 December 2013: TL71,155) and deferred tax income on temporary differences is TL62,820 (31 December 2013: TL103,658 deferred tax charge). Net tax charge recognized in the financial statements is TL184,147 (31 December 2013: TL174,813 net tax charge).

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

The Group’s net profit from continued operations for the year ended 31December 2014 is TL642,454 (31 December 2013: TL570,544). The Group has not made net profit from discontinued operations (31 December 2013: None).

11. The explanations on net income / loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (31 December 2013: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2013: None).
- c) Profit or loss attributable to minority shares:

	Current Period	Prior Period
Profit or loss attributable to minority shares(*)	908	1,728

(*) The profit belongs to minority shares accounted for under the equity is TL45 (31 December 2013: TL43 loss).

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

12. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

Other interest income	Current Period	Prior Period
Interest income from factoring receivables	89,586	81,980
Other	10,805	530
Total	100,391	82,510

Other fees and commissions received	Current Period	Prior Period
Credit cards commissions and fees	670,941	445,344
Insurance commissions received	88,241	52,091
Intelligence fee and commissions	71,429	61,410
Commissions and fees earned from correspondent banks	40,441	37,715
Settlement expense provision, eft, swift, agency commissions	39,379	32,275
Funds management fees	31,875	36,315
Brokerage commissions	29,923	27,858
Transfer commissions	4,511	5,726
Consultancy commissions	3,079	3,020
Other	266,860	213,012
Total	1,246,679	914,766

Other fees and commissions given	Current Period	Prior Period
Credit cards commissions and fees	340,021	226,183
Settlement and swift commissions	27,132	21,874
Commissions and fees paid to correspondent banks	22,394	11,280
Other	45,005	61,394
Total	434,552	320,731

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

- a) Shareholders' equity decreased TL97,903 after resulting from revaluation of financial assets available for sale (31 December 2013: TL198,239 decrease) and deferred tax effect of this change is TL19,789 (31 December 2013: TL39,852).

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging: TL109,999 income (31 December 2013: TL108,114 expense).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL9,713 profit (31 December 2013: TL72,032).

- b) Increase in cash flow risk hedging items:

The Parent Bank hedges itself against cash flow risk from Turkish Lira short term time deposits through its interest rate swaps. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount as of 31 December 2014 is TL115,379 (31 December 2013: TL102,314 increase) and deferred tax effect of this change is TL23,076 (31 December 2013: TL20,463).

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V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity (Continued)

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL26,447 in 2014 (31 December 2013: TL26,864).
- h) Information on shares issued:

The Group has not recorded any shares issued in “Share Premium” account in the current period.

VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL2,792,231 (31 December 2013: TL1,392,060) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL793,398 (31 December 2013: TL176,978) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL1,442,992 (31 December 2013: TL2,226,953) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL27,977 (31 December 2013: TL45,596) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL9,874 for the year 2014 (31 December 2013: TL67,874).

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VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows (Continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	1,546,639	1,088,529
Cash in TL/Foreign Currency	673,704	591,035
Central Bank – Unrestricted amount	852,969	447,146
Other	19,966	50,348
Cash equivalents	404,863	2,493,245
Banks	404,618	793,015
Money market placements	245	1,700,230
Total cash and cash equivalents	1,951,502	3,581,774
End of the period	Current Period	Prior Period
Cash	1,994,318	1,546,639
Cash in TL/Foreign Currency	766,644	673,704
Central Bank – Unrestricted amount	1,193,759	852,969
Other	33,915	19,966
Cash equivalents	1,444,904	404,863
Banks	894,866	404,618
Money market placements	550,038	245
Total cash and cash equivalents	3,439,222	1,951,502

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VII. Explanations on the Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Prior period balances for balance sheet items and income/expense items are presented as of 31 December 2013.

a) Current Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	20,666	10	52,230	376,434
Balance at end of period	-	-	9,560	-	78,334	273,557
Interest and commission income	-	-	1,513	106	2,049	272

Direct and indirect shareholders of the Bank balance above includes TL9,016 and other entities included in the risk group balance above includes TL580 placement in “Foreign Banks”.

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	2,815	4	54,057	396,822
Balance at end of period	-	-	20,666	10	52,230	376,434
Interest and commission income	-	-	2,730	32	1,173	626

Direct and indirect shareholders of the Bank balance above includes TL13,536 and other entities included in the risk group balance above includes TL40,726 placement in “Foreign Banks”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Deposits						
Balance at beginning of period	-	-	1,221,029	471,343	672,711	307,130
Balance at end of period	-	-	1,034,271	1,221,029	1,190,285	672,711
Interest on deposits	-	-	37,492	27,851	23,613	12,706

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VII. Explanations on the Risk Group of the Parent Bank (Continued)

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (Continued)

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of period	-	-	11,389,136	8,814,102	664,232	3,628
End of period	-	-	9,341,199	11,389,136	673,619	664,232
Total income/loss	-	-	(155,444)	(35,159)	3,020	1,563
Hedging transactions purposes						
Beginning of period	-	-	480,718	830,956	-	-
End of period	-	-	642,633	480,718	-	-
Total income/loss	-	-	11,628	24,388	-	-

d) As of 31 December 2014, the total amount of remuneration and fees provided for the senior management of the Group is TL39,386 (31 December 2013: TL34,710).

VIII. Explanations on the Parent Bank’s Domestic, Abroad, Off-shore Branches or Subsidiaries, and Agencies Abroad

1. Explanations on the Parent Bank’s Domestic, Abroad, Off-shore Branches or Subsidiaries, and Agencies Abroad:

	Numbers	Employees		Total Assests	Capital
Domestic branches	546	10,077			
Rep-offices abroad	-	-	Country		
Branches abroad	4	62	Cyprus	520,623	20,000
Off-shore branches	1	3	Bahrain	424,931	-

2. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

In the year 2014, the Parent Bank opened 11 branches , closed 4 branches. According to The Bank’s Board of Directors Resolution, No: 5132/147 and dated 21 October 2014, it was decided to close Türk Ekonomi Bankası A.Ş Bahrain Branch in Bahrain which is registered to Trade Registry, No:50046-1.

IX. Explanations on Post Balance Sheet Events

None.

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SECTION SIX

OTHER EXPLANATIONS

I. Explanations on Other Activities of Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The consolidated financial statements of the Parent Bank were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 5 February 2015 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.