

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
YEAR END FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
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 unconsolidated balance sheet of Türk Ekonomi Bankası A.Ş. (“the Bank”) at 31 December 2014 and the related unconsolidated 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 financial statements; and for selecting and applying appropriate accounting policies in compliance with the “Regulation on Accounting Applications for Banks and Safeguarding of Document” 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. 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 article 37 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 Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 UNCONSOLIDATED
FINANCIAL STATEMENTS AND AUDITED REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**UNCONSOLIDATED FINANCIAL REPORT OF TÜRKEKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014**

Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
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The unconsolidated 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 Bank
- Unconsolidated Financial Statements Of The Bank
- Explanations On The Accounting Policies Applied In The Related Period
- Information On Financial Structure Of The Bank
- Explanatory Disclosures And Footnotes On Unconsolidated Financial Statements
- Other Explanation
- Independent Auditor’s Report

The unconsolidated 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 of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related statements and guidances and incompliance with the financial records of the Bank, have been independently audited and presented as attached.

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

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

Name-Surname/Title : Çiğdem Çelikbilek / Investor Relations Manager
Telephone Number : (0216) 635 24 63
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**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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 Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “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 Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the 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	71,117	3.23%	93,323	4.24%
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2014, Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1 (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.

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**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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”).)

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

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.

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

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the 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 Tıraşın	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 BNPP as of 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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TÜRK EKONOMİ BANKASI A.Ş.

**UNCONSOLIDATED 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

Name / Commercial Name	Share Amount	Share Ratio	Paid-up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,414	55.00%	1,212,414	-
BNPP 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, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV 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 Bank’s Functions and Areas of Activity

The 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 Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2014, the 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 for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Consolidated Financial Statements of Banks in Turkey.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET - ASSETS (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. CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	861,787	7,605,141	8,466,928	632,297	6,179,313	6,811,610
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	589,691	88,618	678,309	1,299,443	52,887	1,352,330
2.1 Financial assets held for trading		589,691	88,618	678,309	1,299,443	52,887	1,352,330
2.1.1 Public sector debt securities		77,774	9,793	87,567	642,579	11,051	653,630
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		511,917	78,825	590,742	656,864	41,836	698,700
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)	595,021	207,957	802,978	75,373	248,915	324,288
IV. MONEY MARKET PLACEMENTS		550,169	-	550,169	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		550,169	-	550,169	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	4,304,501	8,268	4,312,769	4,250,549	8,099	4,258,648
5.1 Share certificates		20,875	96	20,971	19,535	100	19,635
5.2 Public sector debt securities		4,283,626	8,172	4,291,798	4,229,794	7,999	4,237,793
5.3 Other marketable securities		-	-	-	1,220	-	1,220
VI. LOANS AND RECEIVABLES	(I-5)	37,471,580	7,920,630	45,392,210	31,046,587	7,088,370	38,134,957
6.1 Loans and receivables		37,070,699	7,920,630	44,991,329	30,706,542	7,088,370	37,794,912
6.1.1 Loans to Risk Group of the Bank		88,898	3	88,901	16,810	1,882	18,692
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		36,981,801	7,920,627	44,902,428	30,689,732	7,086,488	37,776,220
6.2 Non-performing loans		1,120,411	-	1,120,411	868,121	-	868,121
6.3 Specific provisions (-)		719,530	-	719,530	528,076	-	528,076
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
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)	115,986	61,254	177,240	106,607	61,254	167,861
10.1 Unconsolidated financial subsidiaries		115,986	61,254	177,240	106,607	61,254	167,861
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)	315,128	-	315,128	321,832	-	321,832
XV. INTANGIBLE ASSETS (Net)	(I-13)	475,472	-	475,472	473,933	-	473,933
15.1 Goodwill		421,124	-	421,124	421,124	-	421,124
15.2 Other		54,348	-	54,348	52,809	-	52,809
XVI. INVESTMENT PROPERTIES (Net)	(I-14)	-	-	-	-	-	-
XVII. TAX ASSET		100,595	-	100,595	34,516	-	34,516
17.1 Current tax asset		3,849	-	3,849	274	-	274
17.2 Deferred tax asset		96,746	-	96,746	34,242	-	34,242
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	(I-17)	1,046,802	215,658	1,262,460	876,196	164,034	1,040,230
TOTAL ASSETS		46,884,363	16,107,526	62,991,889	39,605,693	13,802,935	53,408,628

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

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

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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

	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)	27,304,648	12,133,913	39,438,561	23,933,065	10,354,909	34,287,974
1.1 Deposits from Risk Group of the Bank		883,417	1,273,475	2,156,892	1,301,748	568,924	1,870,672
1.2 Other		26,421,231	10,860,438	37,281,669	22,631,317	9,785,985	32,417,302
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	312,166	118,647	430,813	437,878	43,833	481,711
III. FUNDS BORROWED	(II-3)	251,958	8,809,608	9,061,566	531,586	6,261,386	6,792,972
IV. MONEY MARKET BALANCES		1,756,987	-	1,756,987	1,062,443	-	1,062,443
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		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. MISCELLANEOUS PAYABLES		940,951	181,715	1,122,666	961,840	147,830	1,109,670
VIII. OTHER LIABILITIES	(II-4)	1,021,511	3,889	1,025,400	910,875	1,278	912,153
IX. FACTORING PAYABLES		-	-	-	-	-	-
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	69,255	-	69,255
11.1 Fair value hedge		11,264	-	11,264	15,433	-	15,433
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)	968,719	411	969,130	813,376	603	813,979
12.1 General loan loss provisions		609,538	-	609,538	537,702	-	537,702
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		208,498	-	208,498	175,748	-	175,748
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		150,683	411	151,094	99,926	603	100,529
XIII. TAX LIABILITY	(II-8)	192,419	-	192,419	103,434	-	103,434
13.1 Current tax liability		192,419	-	192,419	103,434	-	103,434
13.2 Deferred tax liability		-	-	-	-	-	-
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)	5,902,942	37	5,902,979	5,286,423	15	5,286,438
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		706,532	37	706,569	721,973	15	721,988
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		(18,848)	37	(18,811)	(93,714)	15	(93,699)
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 property 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		690,415	-	690,415	679,019	-	679,019
16.3 Profit reserves		2,359,963	-	2,359,963	1,815,515	-	1,815,515
16.3.1 Legal reserves		172,700	-	172,700	145,948	-	145,948
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,959,298	-	1,959,298	1,441,602	-	1,441,602
16.3.4 Other profit reserves		227,965	-	227,965	227,965	-	227,965
16.4 Profit or loss		632,057	-	632,057	544,545	-	544,545
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		622,560	-	622,560	535,048	-	535,048
16.5 Minority shares	(II-12)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		39,662,850	23,329,039	62,991,889	34,820,451	18,588,177	53,408,628

The accompanying notes are an integral part of these financial statements

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

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

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

II. 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)		48,849,156	48,654,297	97,503,453	41,527,796	41,483,062	83,010,858
I. GUARANTEES	(III-1)	5,408,402	6,452,539	11,860,941	4,752,585	6,589,434	11,342,019
1.1 Letters of guarantee		4,191,978	4,092,624	8,284,602	3,910,749	3,963,656	7,874,405
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		304,025	294,680	598,705	345,982	80,397	426,379
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		-	1,271,645	1,271,645	381	1,355,974	1,356,355
1.3.1 Documentary letters of credit		-	145,575	145,575	381	275,508	275,889
1.3.2 Other letters of credit		-	1,126,070	1,126,070	-	1,080,466	1,080,466
1.4 Refinancing 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)	11,142,402	1,491,443	12,633,845	10,147,570	1,303,708	11,451,278
2.1 Irrevocable commitments		11,142,402	1,491,443	12,633,845	10,147,570	1,303,708	11,451,278
2.1.1 Forward asset purchase commitments		221,352	1,467,898	1,689,250	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		267,252	23,451	290,703	161,615	26,727	188,342
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	32,298,352	40,710,315	73,008,667	26,627,641	33,589,920	60,217,561
3.1 Derivative financial instruments for hedging purposes		10,757,751	328,460	11,086,211	4,187,813	327,712	4,515,525
3.1.1 Fair value hedge		363,480	328,460	691,940	271,779	327,712	599,491
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		21,540,601	40,381,855	61,922,456	22,439,828	33,262,208	55,702,036
3.2.1 Forward foreign currency buy/sell transactions		3,446,564	4,146,566	7,593,130	3,908,750	4,941,701	8,850,451
3.2.1.1 Forward foreign currency transactions-buy		1,175,714	2,516,439	3,692,153	1,284,444	3,160,656	4,445,100
3.2.1.2 Forward foreign currency transactions-sell		2,270,850	1,630,127	3,900,977	2,624,306	1,781,045	4,405,351
3.2.2 Swap transactions related to f.c. and interest rates		12,653,451	23,967,798	36,621,249	9,773,165	16,573,516	26,346,681
3.2.2.1 Foreign currency swap-buy		4,418,890	11,793,982	16,212,872	3,805,355	6,303,715	10,109,070
3.2.2.2 Foreign currency swap-sell		7,634,561	8,274,358	15,908,919	3,796,230	6,202,995	9,999,225
3.2.2.3 Interest rate swaps-buy		300,000	1,949,729	2,249,729	1,085,790	2,033,403	3,119,193
3.2.2.4 Interest rate swaps-sell		300,000	1,949,729	2,249,729	1,085,790	2,033,403	3,119,193
3.2.3 Foreign currency, interest rate and securities options		5,440,586	12,264,066	17,704,652	8,757,913	11,746,991	20,504,904
3.2.3.1 Foreign currency options-buy		3,286,420	5,628,254	8,914,674	3,969,496	6,255,824	10,225,320
3.2.3.2 Foreign currency options-sell		2,154,166	6,633,488	8,787,654	4,576,617	5,426,705	10,003,322
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)		136,906,009	19,722,997	156,629,006	117,549,955	22,075,502	139,625,457
IV. ITEMS HELD IN CUSTODY		27,454,007	1,538,701	28,992,708	24,552,795	1,608,448	26,161,243
4.1 Assets under management	(III-5)	1,666,807	-	1,666,807	1,726,140	-	1,726,140
4.2 Investment securities held in custody		15,906,018	337,297	16,243,315	14,269,099	316,944	14,586,043
4.3 Checks received for collection		9,454,665	928,503	10,383,168	8,179,150	858,542	9,037,692
4.4 Commercial notes received for collection		355,438	105,561	460,999	378,204	112,718	490,922
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		109,281,579	18,143,460	127,425,039	92,871,177	20,427,595	113,298,772
5.1 Marketable securities		773,354	16,333	789,687	583,589	19,982	603,571
5.2 Guarantee notes		52,454,968	13,409,366	65,864,334	47,538,076	13,536,458	61,074,534
5.3 Commodity		53,640	211,098	264,738	70,351	166,369	236,720
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		49,440,563	3,131,992	52,572,555	38,660,715	4,912,365	43,573,080
5.6 Other pledged items		6,559,054	1,374,671	7,933,725	6,018,446	1,792,421	7,810,867
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)		185,755,165	68,377,294	254,132,459	159,077,751	63,558,564	222,636,315

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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. STATEMENT OF INCOME

		Audited	Audited
	Section 5	Current Period	Prior Period
	Note Ref	01.01-31.12.2014	01.01-31.12.2013
I.	INTEREST INCOME	5,202,374	4,017,519
1.1	Interest on loans	4,705,697	3,637,658
1.2	Interest received from reserve deposits	1,775	-
1.3	Interest received from banks	29,380	7,470
1.4	Interest received from money market placements	32,748	10,925
1.5	Interest received from marketable securities portfolio	421,969	360,936
1.5.1	Held-for-trading financial assets	33,649	62,448
1.5.2	Financial assets at fair value through profit and loss	-	-
1.5.3	Available-for-sale financial assets	359,243	290,595
1.5.4	Investments held-to-maturity	29,077	7,893
1.6	Finance lease Income	-	-
1.7	Other interest income	10,805	530
II.	INTEREST EXPENSE	2,637,869	2,045,280
2.1	Interest on deposits	2,227,313	1,732,069
2.2	Interest on funds borrowed	191,193	200,577
2.3	Interest on money market borrowings	138,211	46,087
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)	2,564,505	1,972,239
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	880,821	647,518
4.1	Fees and commissions received	1,304,719	952,413
4.1.1	Non-cash loans	115,205	101,264
4.1.2	Other	1,189,514	851,149
4.2	Fees and commissions paid	423,898	304,895
4.2.1	Non-cash loans	1,767	1,383
4.2.2	Other	422,131	303,512
V.	DIVIDEND INCOME	19,278	4,940
VI.	NET TRADING INCOME	(356,681)	71,704
6.1	Securities trading gains/ (losses)	8,185	41,694
6.2	Gains/ (losses) from derivative financial instruments	(821,749)	458,119
6.3	Foreign exchange gains/ (losses)	456,883	(428,109)
VII.	OTHER OPERATING INCOME	210,931	186,965
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	3,318,854	2,883,366
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	565,603	482,345
X.	OTHER OPERATING EXPENSES (-) (*)	1,958,196	1,701,857
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	795,055	699,164
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)	795,055	699,164
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS	(172,495)	(164,116)
16.1	Current income tax (charge)/benefit (*)	(233,494)	(60,125)
16.2	Deferred tax (charge)/benefit	60,999	(103,991)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)	622,560	535,048
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)	-	-
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)	-	-
XXIII.	NET PROFIT/LOSS (XVII±XXII)	622,560	535,048
23.1	Group's profit/loss	622,560	535,048
23.2	Minority shares profit / loss (-)	-	-
	Earnings per share	0.2824	0.2427

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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. 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	106,490	(105,299)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	(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 correction of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS (*)	14,245	24,001
IX. Deferred tax of valuation differences (*)	(1,071)	(4,204)
X. Total Net Profit/Loss accounted for under equity (I+II+...+IX)	4,285	16,812
XI. Profit/Loss	(10,304)	(71,004)
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(10,304)	(71,004)
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)	(6,019)	(54,192)

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. On Capital and Other Reserves	Share Premium	Share Cancellatio n Profits	Legal Reserves	Statutory Reserves	Extra- ordinary 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
Audited																			
Prior Period – 01.01-31.12.2013																			
I Beginning Balance – 31.12.2012		2,204,390	200,262	2,565	-	121,667	-	1,133,061	524,365	-	505,475	61,545	101,391	527	(49,666)	-	4,805,582	-	4,805,582
II Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effect of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III New Balance (I+II)		2,204,390	200,262	2,565	-	121,667	-	1,133,061	524,365	-	505,475	61,545	101,391	527	(49,666)	-	4,805,582	-	4,805,582
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V Marketable securities valuation differences (V-a)	(V-a)	-	-	-	-	-	-	-	-	-	-	(155,244)	-	-	-	-	(155,244)	-	(155,244)
VI Hedging Funds (Effective Portion) (V-b)	(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)	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII Other (*)		-	-	-	-	-	-	-	19,201	-	-	-	-	-	-	-	19,201	-	19,201
XIX Period net income/(loss)		-	-	-	-	-	-	-	-	535,048	-	-	-	-	-	-	535,048	-	535,048
XX Profit distribution		-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-
20.1 Dividends distributed		-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2013 (III+IV+V+VI+VII+VIII+IX+X+XI +XII+XIII+XIV+XV+XVI+XVII+XVIII+XI X+XX)		2,204,390	200,262	2,565	-	145,948	-	1,441,602	706,722	535,048	9,497	(93,699)	101,391	527	32,185	-	5,286,438	-	5,286,438

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. On Capital and Other Capital Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
Current Period 01.01-31.12.2014																			
I		2,204,390	200,262	2,565	-	145,948	-	1,441,602	706,722	-	544,545	(93,699)	101,391	527	32,185	-	5,286,438	-	5,286,438
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	(V-a)	-	-	-	-	-	-	-	-	-	-	74,888	-	-	-	-	74,888	-	74,888
IV.	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	9,400	11,396	-	-	-	(9,400)	-	-	-	11,396	-	11,396
XVII.		-	-	-	-	-	-	-	-	622,560	-	-	-	-	-	-	622,560	-	622,560
XVIII.		-	-	-	-	26,752	-	508,296	-	-	(535,048)	-	-	-	-	-	-	-	-
18.1		-	-	-	-	26,752	-	508,296	-	-	(535,048)	-	-	-	-	-	-	-	-
18.2		-	-	-	-	26,752	-	508,296	-	-	(535,048)	-	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	172,700	-	1,959,298	718,118	622,560	9,497	(18,811)	91,991	527	(60,118)	-	5,902,979	-	5,902,979

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED PROFIT DISTRIBUTION TABLE
PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

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

VI. 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		1,999,891	1,579,621
1.1.1 Interest received		5,010,085	3,458,200
1.1.2 Interest paid		(2,393,579)	(1,900,804)
1.1.3 Dividend received		8,559	3,234
1.1.4 Fees and commissions received		1,931,178	1,142,753
1.1.5 Other income		682,728	617,421
1.1.6 Collections from previously written off loans		445,064	377,028
1.1.7 Payments to personnel and service suppliers		(816,502)	(725,162)
1.1.8 Taxes paid		(162,760)	(109,084)
1.1.9 Others (**)	(VI-1)	(2,704,882)	(1,283,965)
1.2 Changes in operating assets and liabilities		(815,683)	(2,789,425)
1.2.1 Net (decrease) increase in financial assets held for trading		566,661	(213,875)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		1,926	(7,718)
1.2.4 Net increase in loans		(7,439,195)	(8,719,348)
1.2.5 Net increase in other assets	(VI-1)	(1,252,038)	(1,881,042)
1.2.6 Net increase (decrease) in bank deposits		449,401	1,682,419
1.2.7 Net increase in other deposits		5,336,193	4,908,369
1.2.8 Net increase (decrease) in funds borrowed		2,274,843	1,612,290
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net (increase) decrease in other liabilities		(753,474)	(170,520)
I. Net cash provided from / (used in) banking operations		1,184,208	(1,209,804)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		6,572	(672,485)
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 asset purchases		(80,975)	(145,227)
2.4 Fixed asset sales		10,568	1,742
2.5 Cash paid for purchase of financial assets available for sale		(3,769,644)	(6,732,881)
2.6 Cash obtained from sale of financial assets available for sale		3,874,067	6,245,467
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	3,078
2.9 Others	(VI-1)	(27,444)	(44,664)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from/ (used in) financing activities		282,633	219,844
3.1 Cash obtained from funds borrowed and securities issued		1,604,439	696,130
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		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1)	3,981	28,013
V. Net increase / (decrease) in cash and cash equivalents		1,477,394	(1,634,432)
VI. Cash and cash equivalents at beginning of the period	(VI-2)	1,832,772	3,467,204
VII. Cash and cash equivalents at end of the period	(VI-2)	3,310,166	1,832,772

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED PROFIT DISTRIBUTION TABLE
PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

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

VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2014(*)	Audited Prior Period 31.12.2013
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	CURRENT YEAR INCOME	795,055
1.2	TAXES AND DUTIES PAYABLE (-)	699,164
1.2.1	Corporate tax (Income tax)	164,116
1.2.2	Income withholding tax	233,494
1.2.3	Other taxes and duties	60,125
	(60,999)	-
A.	NET INCOME FOR THE YEAR (1.1-1.2)	535,048
1.3	PRIOR YEARS' LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	26,752
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	508,296
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	508,296
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II. DISTRIBUTION OF RESERVE		
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	0.2824
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.2427
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 (%)	-

(*) As of 31December 2014 when the financial statement has been finalized, The general Assembly meeting did not performed.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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 THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Bank prepares financial statements and notes according to Regulation Principles and Procedures on Banks' Accounting Practice and Keeping Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by 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 28 June 2012.

The prior period financial statements are presented 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 of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED 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”).)

ACCOUNTING PRINCIPLES (Continued)

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

At period ends, foreign currency asset and liability balances are valued at the Bank’s period end counter currency buying rates and recognized as a “Foreign exchange gain or loss”.

The 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 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.

The 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 balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

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 Bank has adopted fair value and cash flow hedge accounting in order to avoid the effects of fair value and cash flow risks. The Bank documents relations between hedging instrument and hedged item on transaction date, in conjunction with strategies on objectives of the Bank's risk management and hedging transactions for hedging purposed transactions. Besides, the 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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ACCOUNTING PRINCIPLES (Continued)

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

While the 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 by using effective interest rate and are expensed on the related periods.

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

VII. Explanations on Financial Assets

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

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ACCOUNTING PRINCIPLES (Continued)

VII. Explanations on Financial Assets (Continued)

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.

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.

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ACCOUNTING PRINCIPLES (Continued)

VII. Explanations on Financial Assets (Continued)

Held to Maturity Investments and Financial Assets Available for Sale (Continued)

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 Bank 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.

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 Bank 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 Bank’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. If the provisions for the receivables that had been realised in earlier periods are collected in current year, reversals of specific provisions 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 Bank records general loan loss provision for loans and other receivables.

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ACCOUNTING PRINCIPLES (Continued)

VII. Explanations on Financial Assets (Continued)

Loans and Provisions for Impairment (Continued)

The 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.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank 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 Bank 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 the Bank has a legally enforceable right to set off, and 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. 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 Bank has reverse repo amounting to TL550,169 (31 December 2013: None).

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

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ACCOUNTING PRINCIPLES (Continued)

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 Bank are TL79,466 (31 December 2013: TL83,217). As per the appraisals performed for the real estates 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.

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.

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ACCOUNTING PRINCIPLES (Continued)

XII. Explanations on Goodwill and Other Intangible Assets (Continued)

Under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper dated and numbered 12 February 2011, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

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 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 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.

XIII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; after 31 December 2004 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 50 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 for 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

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ACCOUNTING PRINCIPLES (Continued)

XIII. Explanations on Tangible Fixed Assets (Continued)

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 related assets. Other maintenance costs are expensed.

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

There is 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 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 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 Bank does not have any leasing transactions as "Lessor".

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, and 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 Bank's best expectation of expenses in fulfilling the obligation, 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.

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ACCOUNTING PRINCIPLES (Continued)

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 Group 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 TL97,662 (31 December 2013: TL85,927).

	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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ACCOUNTING PRINCIPLES (Continued)

XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)

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 TL11,396 (1 January - 31 December 2013: TL19,201 actuarial profit) was classified as “Other Comprehensive Income” and as of 31 December 2014, a total of TL20,246 (31 December 2013: TL8,850 actuarial profit) actuarial profit was accounted under “Other Reserves”.

Employees transferred to the Bank following the business combination defined in “General Information” of the 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 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 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 Bank 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 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.

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 TL60,999 (31 December 2013: TL103,991 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	(18,722)	38,810
Cash flow hedge	23,076	(20,463)
Actuarial profit or loss	(2,849)	(4,800)
Total	1,505	13,547

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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ACCOUNTING PRINCIPLES (Continued)

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 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 Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank is increased from TL1,400,000 to TL2,204,390 and the issued capital of the 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 Bank.

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ACCOUNTING PRINCIPLES (Continued)

XXII. Explanations on Reporting According to Segmentation

The Bank mainly operates in retail and corporate banking segments.

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Net interest income	377,536	208,975	893,452	1,084,542	2,564,505
Net fees and commissions income and other operating income	223,494	153,419	430,871	283,968	1,091,752
Trading profit / loss	269	594	(1,005)	(356,539)	(356,681)
Dividend income	-	-	-	19,278	19,278
Impairment provision for loans and other receivables (-)	145,306	31,650	283,474	105,173	565,603
Other operating expenses (-)	353,185	44,133	458,668	1,102,210	1,958,196
Profit before taxes	102,808	287,205	581,176	(176,134)	795,055
Tax provision (-)	-	-	-	172,495	172,495
Net profit for the period	102,808	287,205	581,176	(348,629)	622,560

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Segment assets	11,193,768	9,764,889	20,839,272	21,016,715	62,814,644
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	177,245	177,245
Total Assets	11,193,768	9,764,889	20,839,272	21,193,960	62,991,889
Segment liabilities	22,988,933	9,472,711	6,826,822	17,800,444	57,088,910
Shareholders' equity	-	-	-	5,902,979	5,902,979
Total Liabilities	22,988,933	9,472,711	6,826,822	23,703,423	62,991,889

Prior Period (31.12.2013)	Retail	Corporate	SME	Treasury/ Head Office	Total
Net interest income	332,308	199,948	759,062	680,921	1,972,239
Net fees and commissions income and other operating income	166,804	137,698	251,097	278,884	834,483
Trading profit / loss	(442)	(3,407)	(1,271)	76,824	71,704
Dividend income	-	-	-	4,940	4,940
Impairment provision for loans and other receivables (-)	160,378	(8,878)	112,020	218,825	482,345
Other operating expenses (-)	292,867	40,855	406,179	961,956	1,701,857
Profit before taxes	45,425	302,262	490,689	(139,212)	699,164
Tax provision (-)	-	-	-	164,116	164,116
Net profit for the period	45,425	302,262	490,689	(303,328)	535,048

Prior Period (31.12.2013)	Retail	Corporate	SME	Treasury/ Head Office	Total
Segment assets	9,431,252	8,075,811	17,004,574	18,729,125	53,240,762
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	167,866	167,866
Total Assets	9,431,252	8,075,811	17,004,574	18,896,991	53,408,628
Segment liabilities	19,489,191	8,767,630	5,934,189	13,931,180	48,122,190
Shareholders' equity	-	-	-	5,286,438	5,286,438
Total Liabilities	19,489,191	8,767,630	5,934,189	19,217,618	53,408,628

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ACCOUNTING PRINCIPLES (Continued)

XXIII. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 25 March 2014 the 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. Classification

In the current year, the Bank has classified reversals in current period from specific provisions and selling past due receivables portfolio in “Other Operation Income” which were booked in “Loans and Other Receivable Provision” in prior periods. To conform to changes in presentation of the financial statements the bank has made reclassifications amounting to TL87,327 between related accounts in the income statement as of 31 December 2013.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to 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 Bank's unconsolidated capital adequacy ratio is occurred 13.96% (31 December 2013: 14.23%) 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.

Trading Accounts and 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.

Trading Accounts 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 Capital Adequacy Standard Ratio (Continued)

Information related to the capital adequacy ratio:

Current Period-31 December 2014	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 banks	14,071,345	-	-	-	-	108,456	-	-	96,746	-
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	-	-	1,313,765	1,060,726	-	459,380	4,621	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	20,385,120	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	19,596,979	407,035	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	5,848,221	-	-	-	-	-	-
Past due receivables	-	-	-	20,149	-	254,414	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	770,710	-	29,849	-	2	1,292,129	-	-	-	-
Total Value at Risk	14,842,055	-	1,689,733	6,936,849	19,596,981	22,908,663	1,656,283	2,715,622	98,451	-
Total Risk Weighted Assets	-	-	337,947	3,468,425	14,697,736	22,908,663	2,484,425	5,431,244	246,128	-

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

Information related to the capital adequacy ratio: (Continued)

Prior Period-31 December 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 banks	10,777,742	-	-	-	-	143,176	-	-	-	-
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	-	-	829,610	861,663	-	375,412	12,863	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	20,121,169	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	11,830,769	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,762,102	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	323,122	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	680,115	-	13,553	-	-	2,584,590	-	-	-	-
Total Value at Risk	11,457,857	-	1,127,466	5,623,765	11,830,769	24,120,457	1,279,553	2,775,002	40,018	-
Total Risk Weighted Assets	-	-	225,493	2,811,883	8,873,077	24,120,457	1,919,330	5,550,004	100,045	-

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

Summary information related to the capital adequacy ratio:

	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	3,965,965	3,488,023
Capital Requirement for Market Risk (CRMR)	59,032	69,240
Capital Requirement for Operational Risk CROR (*)	337,591	300,586
Total Capital	7,614,824	6,860,593
Total Capital /((CRCR+CRMR+CROR)*12.5)*100	13.96	14.23
Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	10.26	-
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	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
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	2,801,333
Income recognized under equity in accordance with TAS	91,991
Profit	632,057
Current Period's Profit	622,560
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
Common Equity Tier 1 Capital Before Deductions	5,933,125
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 (-)	18,811
Leasehold Improvements on Operational Leases (-)	79,750
Goodwill and intangible asset and the related deferred tax liability (-)	238,870
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	337,431
Total Common Equity Tier 1 Capital	5,595,694

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

Informations related to 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
Additional Tier 1 Capital before deductions	232,440
Deductions from Additional Tier 1 Capital	-
Bank's 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	232,440
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	5,595,694
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	609,538
Tier 2 Capital Before Deductions	2,028,685
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 Equity Tier 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	2,028,685

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

Informations related to components of shareholders’ equity : (Continued)

	Current Period 31.12.2014
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	7,624,379
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	7,614,824
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)	96,746

Information related to the components of shareholders’ equity:

	Amount to be considered in equity calculation in current period	Total
Minority shares in Common Equity Tier 1 Capital	-	-
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

(*) 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 01 January 2015.

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I. Explanations Related to 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	2,245,489
Inflation Adjustments to Reserves	-
Profit	544,545
Current Period's Profit	535,048
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
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Period's Losses	-
Leasehold Improvements on Operational Leases (-)	76,969
Intangible Assets (-)	473,933
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 (-)	-
Total Core Capital	4,960,710
SUPPLEMENTARY CAPITAL	
General Provisions	537,702
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	(93,699)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-
Total Supplementary Capital	1,907,368
CAPITAL	6,868,078
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	6,860,593

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I. Explanations Related to 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 Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
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 LIBOR +	Floating LIBOR +	Floating Euribor+4.75%	Floating Euribor+4.75%	Floating LIBOR +	Floating Euribor +	Floating LIBOR +
Coupon rate and any related index	3.5%	3.18%	Euribor+4.75%	Euribor+4.75%	5.75%	2.10%	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							
If convertible, conversion trigger (s)	Repayment option(*)	-	-	-	-	-	-
If convertible, fully or partially	Total	-	-	-	-	-	-
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 2007, 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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I. Explanations Related to Capital Adequacy Standard Ratio (Continued)

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 definition 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 Assessment of Internal Capital Adequacy Process". 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 Committee and Audit Committee.

II. Explanations Related to 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 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 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	14,185,386	13,124,431
Conditional and unconditional receivables from regional or local governments	381,286	343,111
Conditional and unconditional receivables from administrative units and non-commercial enterprises	2	2,058
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,854,892	2,876,048
Conditional and unconditional corporate receivables	21,416,730	22,870,262
Conditional and unconditional retail receivables	20,449,422	15,992,636
Conditional and unconditional secured mortgage receivables	5,848,221	5,260,052
Past due receivables	400,881	378,017
Receivables defined in high risk category by BRSA	4,253,538	4,144,424
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	2,092,748	2,094,381

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

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

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.

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II. Explanations Related to Credit Risk (Continued)

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 is TL4,861,886 and TL6,782,394 and share in total cash loans are respectively 10.81% and 15.07%.

As of 31 December 2014, the receivables of the Bank from its top 100 ve top 200 non-cash loan customers amount to TL4,558,356 and TL5,753,602 with a share of 38.43% and 48.51% 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 4.50% and 6.29% respectively.

As of 31 December 2014, the general loan loss provision related with the credit risk taken by the Bank is TL609,538 (31 December 2013: TL537,702).

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	802,978	324,288
Other money markets	550,169	-
Trading financial assets	87,567	653,630
Derivative financial instruments held for trading	590,742	698,700
Derivative financial instruments for hedging purposes	60,800	112,245
Financial assets available-for-sale	4,312,769	4,258,648
Held-to-maturity investments	317,360	292,956
Loans	45,392,210	38,134,957
Total	59,780,965	50,593,366
Contingent liabilities	11,860,941	11,342,019
Commitments	12,633,845	11,451,278
Total	24,494,786	22,793,297
Total credit risk exposure	84,275,751	73,386,663

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,net	Total
Loans and receivables			
Commercial loans	29,333,974	1,366,356	30,700,330
Consumer loans	11,451,287	710,433	12,161,720
Credit cards	2,386,647	143,513	2,530,160
Other	-	-	-
Total	43,171,908	2,220,302	45,392,210

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II. Explanations Related to Credit Risk (Continued)

Prior Period	Neither past due nor impaired	Past due or individually impaired,net	Total
Loans and receivables			
Commercial loans	24,031,477	1,069,474	25,100,951
Consumer loans	9,738,680	632,355	10,371,035
Credit cards	2,463,627	199,344	2,662,971
Other	-	-	-
Total	36,233,784	1,901,173	38,134,957

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 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 %
1st Category	The borrower has a very strong financial structure	35.54%
2nd Category	The borrower has a good financial structure	27.68%
3rd Category	The borrower has an intermediate level of financial structure	31.96%
4th 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 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 receivables from administrative units and non-commercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	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	Other receivables	
Current Period																	
Domestic	242,252	75,622	-	-	-	790,846	15,689,494	13,365,478	2,854,301	468,752	7,615,519	-	-	-	-	1,050,906	42,153,170
European Union (EU)																	
Countries	-	-	-	-	-	174,765	25,024	3,623	1,708	9	6,659	-	-	-	-	-	211,788
OECD Countries*	-	-	-	-	-	62,336	11	2,007	460	-	1,248	-	-	-	-	-	66,062
Off-Shore Banking																	
Regions	108,069	-	-	-	-	173	179,707	30,948	26,710	2,245	76,211	-	-	-	-	326	424,389
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	15,533	25,954	933	1,137	-	1,797	-	-	-	-	-	45,354
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,240
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities**	-	636	2	-	-	235,767	5,496,540	2,037,006	39,794	-	29,573	-	-	-	-	69,687	7,909,005
Total	350,321	76,258	2	-	-	1,279,420	21,416,730	15,439,995	2,924,110	471,006	7,731,007	-	-	-	-	1,298,159	50,987,008

(*) 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 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 receivables from administrative units and non-commercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	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	Other receivables
Prior Period																	
Domestic	351	56,531	-	-	-	507,777	16,392,923	7,153,335	2,317,559	348,298	8,062,169	-	-	-	-	2,224,026	37,062,969
European Union (EU) Countries	-	-	-	-	-	111,176	10,808	-	67	137	-	-	-	-	-	6,687	128,875
OECD Countries*	-	-	-	-	-	98,469	-	-	-	-	-	-	-	-	-	780	99,249
Off-Shore Banking Regions	142,825	-	-	-	-	3,928	123,107	28,479	18,812	26	-	-	-	-	-	-	317,177
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	10,933	89,105	6,519	759	45	-	-	-	-	-	-	107,361
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167,861
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities**	-	631	4,286	-	-	319,755	4,620,302	1,854,145	43,853	-	31,621	-	-	-	-	205,603	7,080,196
Total	143,176	57,162	4,286	-	-	1,052,038	21,236,245	9,042,478	2,381,050	348,506	8,093,790	-	-	-	-	2,604,957	44,963,688

(*) 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 Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Current Period	Exposure Categories																		
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	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	Other receivables	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	1,070,930	1,048,089	219,959	27,094	1,953	-	-	-	-	-	2,178,137	189,888	2,368,025
Farming and Husbandry	-	-	-	-	-	-	1,048,706	1,035,227	216,788	27,025	1,612	-	-	-	-	-	2,147,437	181,921	2,329,358
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	22,224	12,862	3,171	69	341	-	-	-	-	-	30,700	7,967	38,667
Manufacturing	-	1	-	-	-	-	12,187,799	4,957,685	472,910	137,744	70,506	-	-	-	-	-	11,489,331	6,337,314	17,826,645
Mining and Quarrying	-	-	-	-	-	-	443,856	289,702	28,197	9,077	4,395	-	-	-	-	-	543,846	231,381	775,227
Production	-	1	-	-	-	-	11,608,085	4,641,952	441,108	128,568	65,411	-	-	-	-	-	10,846,385	6,038,740	16,885,125
Electricity, Gas and Water	-	-	-	-	-	-	135,858	26,031	3,605	99	700	-	-	-	-	-	99,100	67,193	166,293
Construction	-	-	-	-	-	-	2,539,689	938,834	193,648	36,419	13,486	-	-	-	-	-	2,408,850	1,313,226	3,722,076
Services	350,321	76,257	2	-	-	1,279,420	5,058,379	3,283,411	466,391	119,826	183,295	-	-	-	-	977,806	9,225,280	2,569,828	11,795,108
Wholesale and Retail Trade	-	10,510	-	-	-	-	1,961,209	1,175,922	136,897	35,637	9,595	-	-	-	-	838	2,747,693	582,915	3,330,608
Accommodation and Dining	-	-	-	-	-	-	556,566	225,254	87,488	4,302	15,304	-	-	-	-	-	533,113	355,801	888,914
Transportation and Telecom.	-	-	-	-	-	-	1,089,504	719,171	68,246	47,428	10,781	-	-	-	-	5	1,459,260	475,875	1,935,135
Financial Institutions	350,321	-	-	-	-	1,279,420	139,038	39,715	7,245	444	10,519	-	-	-	-	976,589	2,452,958	350,333	2,803,291
Real Estate and Rental Services	-	2,906	-	-	-	-	758,792	606,889	110,127	19,474	3,986	-	-	-	-	-	826,744	675,430	1,502,174
Professional Services	-	1,937	2	-	-	-	268,667	330,567	33,303	9,148	109,377	-	-	-	-	19	678,943	74,077	753,020
Educational Services	-	1	-	-	-	-	33,946	52,741	8,809	408	9,544	-	-	-	-	180	91,938	13,691	105,629
Health and Social Services	-	60,903	-	-	-	-	250,657	133,152	14,276	2,985	14,189	-	-	-	-	175	434,631	41,706	476,337
Other	-	-	-	-	-	-	559,933	5,211,976	1,571,202	149,923	7,461,767	-	-	-	-	320,353	14,450,993	824,161	15,275,154
Total	350,321	76,258	2	-	-	1,279,420	21,416,730	15,439,995	2,924,110	471,006	7,731,007	-	-	-	-	1,298,159	39,752,591	11,234,417	50,987,008

(*) 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 Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Prior Period	Exposure Categories																		
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	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	Other receivables	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	1,563,044	175,545	166,131	21,208	354	-	-	-	-	-	1,761,622	164,660	1,926,282
Farming and Husbandry	-	-	-	-	-	-	1,544,286	170,108	164,850	20,717	330	-	-	-	-	-	1,738,525	161,766	1,900,291
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	18,758	5,437	1,281	491	24	-	-	-	-	-	23,097	2,894	25,991
Manufacturing	-	9	-	-	-	-	11,329,370	2,780,573	370,712	109,351	12,778	-	-	-	-	-	9,078,303	5,524,490	14,602,793
Mining and Quarrying	-	-	-	-	-	-	363,840	172,912	21,210	3,902	364	-	-	-	-	-	462,759	99,469	562,228
Production	-	9	-	-	-	-	10,744,741	2,598,702	347,270	105,347	12,388	-	-	-	-	-	8,485,289	5,323,168	13,808,457
Electricity, Gas and Water	-	-	-	-	-	-	220,789	8,959	2,232	102	26	-	-	-	-	-	130,255	101,853	232,108
Construction	-	-	-	-	-	-	2,665,600	467,895	162,217	26,409	5,174	-	-	-	-	-	1,897,838	1,429,457	3,327,295
Services	143,176	57,140	4,286	-	-	1,051,813	5,340,075	1,798,517	284,272	71,002	11,710	-	-	-	-	401,240	6,110,552	3,052,679	9,163,231
Wholesale and Retail Trade	-	6,929	-	-	-	-	2,010,955	576,928	97,573	24,117	2,463	-	-	-	-	-	2,152,469	566,496	2,718,965
Accommodation and Dining	-	-	-	-	-	-	511,091	94,670	48,033	3,330	382	-	-	-	-	-	412,874	244,632	657,506
Transportation and Telecom.	-	-	-	-	-	-	1,340,343	302,695	44,660	28,895	1,000	-	-	-	-	5	1,136,838	580,760	1,717,598
Financial Institutions	143,176	-	-	-	-	1,051,813	133,565	434,633	1,743	1,974	6,457	-	-	-	-	401,235	1,151,336	1,023,260	2,174,596
Real Estate and Rental Services	-	2,500	-	-	-	-	837,008	242,359	61,479	7,678	718	-	-	-	-	-	581,813	569,929	1,151,742
Professional Services	-	2,307	4,286	-	-	-	262,516	79,224	17,279	2,941	514	-	-	-	-	-	319,092	49,975	369,067
Educational Services	-	1	-	-	-	-	37,654	14,911	2,164	205	45	-	-	-	-	-	52,823	2,157	54,980
Health and Social Services	-	45,403	-	-	-	-	206,943	53,097	11,341	1,862	131	-	-	-	-	-	303,307	15,470	318,777
Other	-	13	-	-	-	225	338,156	3,819,948	1,397,718	120,536	8,063,774	-	-	-	-	2,203,717	15,637,027	307,060	15,944,087
Total	143,176	57,162	4,286	-	-	1,052,038	21,236,245	9,042,478	2,381,050	348,506	8,093,790	-	-	-	-	2,604,957	34,485,342	10,478,346	44,963,688

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

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

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II. Explanations Related to Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	126,656	-	-	-	387
Conditional and unconditional exposures to regional governments or local authorities	47	252	591	669	74,062
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	493,954	106,911	70,949	121,921	76,834
Conditional and unconditional exposures to corporates	5,151,061	1,056,480	1,151,736	2,873,019	5,684,481
Conditional and unconditional retail exposures	5,009,067	922,867	694,118	1,313,515	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	-	-	-	-	-
Receivables defined in high risk category 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 corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	37,389	-	-	-	-
Total	11,248,853	2,131,422	1,978,659	4,521,626	21,130,922

Prior Period Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	142,825	-	-	-	351
Conditional and unconditional exposures to regional governments or local authorities	94	571	28	3,402	52,436
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	428,163	28,513	44,220	77,025	18,034
Conditional and unconditional exposures to corporates	5,758,704	854,950	1,213,569	2,483,728	5,659,876
Conditional and unconditional retail exposures	3,390,102	242,399	371,002	614,629	3,042,517
Conditional and unconditional exposures secured by real estate property	328,219	21,986	40,659	84,166	1,861,987
Past due receivables	-	-	-	-	-
Receivables defined in high risk category 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 corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	1,083,010	137,368	102,417	-	-
Total	11,131,117	1,577,042	2,018,110	3,646,761	17,776,089

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II. Explanations Related to 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	14,750,893	-	1,704,429	6,942,269	20,037,713	23,962,526	1,671,202	2,715,622	98,451	-	560,615
Exposures after Credit Risk Mitigation	14,842,055	-	1,689,733	6,936,849	19,596,981	22,908,663	1,656,283	2,715,622	98,451	-	560,615

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	11,457,857	-	1,135,516	5,725,797	12,056,635	25,261,006	1,280,103	2,775,002	40,018	-	558,470
Exposures after Credit Risk Mitigation	11,457,857	-	1,127,466	5,623,766	11,830,769	24,120,458	1,279,553	2,775,002	40,018	-	558,470

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II. Explanations Related to Credit Risk (continued)

Informations in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
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	332,135	497,667	5,247	224,756
Minning and Quarrying	23,526	24,544	259	16,594
Production	308,325	470,806	4,964	207,999
Electricity, Gas and Water	284	2,317	24	163
Construction	70,669	106,228	1,120	42,585
Services	233,176	387,906	4,090	141,923
Wholesale and Retail Trade	81,914	124,056	1,308	55,257
Accommodation and Dining	9,632	44,256	467	5,954
Transportation and Telecom.	89,051	93,867	990	53,342
Financial Institutions	960	2,581	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	1,120,411	1,819,421	19,185	719,530

Prior Period Major Sectors / Counterparties	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
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	280,572	383,807	10,333	170,819
Minning and Quarrying	17,885	28,606	770	13,266
Production	262,400	354,569	9,546	157,357
Electricity, Gas and Water	287	632	17	196
Construction	54,568	85,179	2,293	27,918
Services	187,888	333,335	8,974	115,355
Wholesale and Retail Trade	65,600	99,021	2,666	42,067
Accommodation and Dining	7,538	35,631	959	3,998
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	868,121	1,561,128	42,031	528,076

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II. Explanations Related to 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	528,076	511,908	(145,977)	(174,477)	-	719,530
General Provisions	537,702	80,131	(8,295)	-	-	609,538

(*) 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	385,767	365,723	(109,167)	(114,247)	-	528,076
General Provisions	405,305	229,549	(97,152)	-	-	537,702

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

III. Explanations Related to Market Risk

The Bank’s risk management operations, applied in accordance with Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” and “Regulations about Bank’s Internal Systems” are conducted by The Board of Directors.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the 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 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.

a) i) Information Related to Market Risk:

	Amount
(I) Capital Requirement against General Market Risk - Standard Method	20,403
(II) Capital Requirement against Specific Risks - Standard Method	786
Capital requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	7,402
(IV) Capital Requirement against Commodity Risks - Standard Method	-
(V) Capital Requirement against Exchange Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	1,124
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	29,317
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	59,032
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	737,900

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III. Explanations Related to Market Risk (Continued)

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	20,310	24,856	16,612	17,433	23,084	12,486
Common Stock Risk	-	-	-	-	-	-
Currency Risk	7,284	13,219	4,265	6,807	15,529	3,803
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	851	1,131	525	1,139	2,254	570
Counterparty Credit Risk	35,101	56,384	27,985	31,168	49,993	17,344
Total Value Subject to Risk (*)	794,310	1,088,155	658,613	706,824	906,625	479,850

(*) “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 audited 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.

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

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collateral conditions.

III. Explanations Related to Market Risk (continued)

Quantitative Information on Counterparty Risk:

	Purchase/Sell Accounts	Banking Accounts	Total
Agreements based on Interest Rate	7,009	24,573	31,582
Agreement based on Foreign Exchange Currency	272,497	100,265	372,762
Agreement Based on Commodity	-	-	-
Agreement Based on Shares	-	-	-
Other	-	-	-
Gross Positive Fair Values	402,830	83,944	486,774
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	682,336	208,781	891,117

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

IV. Explanations Related to 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	1,677,723	2,373,162	2,700,938	2,250,607	15	337,591
Amount subject to Operational Risk (Total*12,5)						4,219,889

	31.12.2010	31.12.2011	31.12.2012	Total/Positive Year	Rate (%)	Total
Gross Income	1,960,837	1,677,723	2,373,162	2,003,907	15	300,586
Amount subject to Operational Risk (Total*12,5)						3,757,326

- c) The Bank does not use the standard method
- d) The Bank does not use any alternative approach in standart method

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V. Explanations Related to Currency Risk

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

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

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

The Treasury Department of the 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 Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2014, the Bank’s balance sheet short position is TL4,538,896 (31 December 2013: TL2,269,211 short position), off-balance sheet long position is TL3,767,370 (31 December 2013: TL2,713,582 long position) and as a result net foreign currency short position is TL771,526 (31 December 2013: TL444,371 net long position)

The announced current foreign exchange buying rates of the 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 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 Bank is mainly exposed to EUR and USD currency risks.

The following table details the 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	11,166	8,212	2	1
USD	10 decrease	(11,166)	(8,212)	(2)	(1)
EURO	10 increase	(995)	(672)	1	-
EURO	10 decrease	995	672	(1)	-

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

The Bank’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 Currency Risk (continued)

Information on the foreign currency risk of the Bank:

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	73,827	51,047	83,083	207,957
Financial Assets at Fair Value through Profit and Loss (*****)	13,662	8,206	76	21,944
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	260	1,859	6,149	8,268
Loans (**)	4,318,748	5,360,154	883,009	10,561,911
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	61,254	-	-	61,254
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	168,998	45,991	669	215,658
Total Assets	6,304,376	10,495,716	1,882,041	18,682,133
Liabilities				
Bank Deposits	579,382	8,098	89,389	676,869
Foreign Currency Deposits (*)	2,909,659	7,655,045	892,340	11,457,044
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	5,955,799	3,434,397	1,205,327	10,595,523
Marketable Securities Issued	-	294,904	-	294,904
Miscellaneous Payables	62,818	118,284	613	181,715
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	7,683	7,140	151	14,974
Total Liabilities	9,515,341	11,517,868	2,187,820	23,221,029
Net Balance Sheet Position	(3,210,965)	(1,022,152)	(305,779)	(4,538,896)
Net Off-Balance Sheet Position	3,007,255	554,715	205,400	3,767,370
Financial Derivative Assets (****)	7,723,873	13,958,277	1,009,202	22,691,352
Financial Derivative Liabilities (*****)	4,716,618	13,403,562	803,802	18,923,982
Non-Cash Loans (*****)	2,598,729	3,713,397	140,413	6,452,539
Prior Period				
Total Assets	6,784,916	7,608,071	1,886,138	16,279,125
Total Liabilities	8,431,966	8,143,654	1,972,716	18,548,336
Net Balance Sheet Position	(1,647,050)	(535,583)	(86,578)	(2,269,211)
Net Off-Balance Sheet Position	2,203,401	390,560	119,621	2,713,582
Financial Derivative Assets (****)	6,605,365	11,528,017	606,223	18,739,605
Financial Derivative Liabilities (*****)	4,401,964	11,137,457	486,602	16,026,023
Non-Cash Loans (*****)	3,069,829	3,383,713	135,892	6,589,434

(*) 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.

(***) TL107,973 (31 December 2013: TL39,826) expense accruals from derivative financial instruments are deducted from other liabilities.

(****) 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 are no effects on the net off-balance sheet position.

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VI. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the 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 protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Asset-Liability Committee.

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

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

Since the Bank does not allow maturity mismatches or imposes limits on 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	-	-	-	7,934,658	8,466,928
Banks	590,581	8,540	8,317	-	-	195,540	802,978
Financial Assets at Fair Value Through Profit and Loss	42,633	22,095	56,666	63,066	65,471	428,378	678,309
Money Market Placements	550,169	-	-	-	-	-	550,169
Available-For-Sale Financial Assets	580,530	1,006,119	1,731,083	957,176	16,890	20,971	4,312,769
Loans(*)	13,219,948	2,826,095	7,313,662	16,548,223	5,049,464	434,818	45,392,210
Held-To-Maturity Investments	31,583	87,344	198,433	-	-	-	317,360
Other Assets	-	-	10,370	50,383	48	2,410,365	2,471,166
Total Assets	15,015,444	4,482,463	9,318,531	17,618,848	5,131,873	11,424,730	62,991,889
Liabilities							
Bank Deposits	617,459	580,665	2,122	-	-	40,299	1,240,545
Other Deposits	27,701,781	4,769,977	186,681	82,902	206	5,456,469	38,198,016
Money Market Borrowings	1,756,987	-	-	-	-	-	1,756,987
Sundry Creditors	-	-	-	-	-	1,122,666	1,122,666
Marketable Securities Issued	165,887	262,196	563,500	-	-	-	991,583
Funds Provided From Other Financial Institutions	2,504,430	4,835,946	3,283,830	110,604	112,671	-	10,847,481
Other Liabilities	6,776	1,770	41,477	326,838	9,294	8,448,456	8,834,611
Total Liabilities	32,753,320	10,450,554	4,077,610	520,344	122,171	15,067,890	62,991,889
Balance Sheet Long Position	-	-	5,240,921	17,098,504	5,009,702	-	27,349,127
Balance Sheet Short Position	(17,737,876)	(5,968,091)	-	-	-	(3,643,160)	(27,349,127)
Off-Balance Sheet Long Position	5,328,783	1,100,000	-	-	-	-	6,428,783
Off-Balance Sheet Short Position	-	-	(1,267,485)	(5,035,764)	(26,250)	-	(6,329,499)
Total Position	(12,409,093)	(4,868,091)	3,973,436	12,062,740	4,983,452	(3,643,160)	99,284

(*) Revolving loans 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 TL315,128, intangible assets amounting to TL475,472, subsidiaries amounting to TL177,240 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL79,466 while other liabilities line includes the shareholders’ equity of TL5,902,979

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VI. Explanations Related to Interest Rate Risk (Continued)

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
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	6,811,610	6,811,610
Banks	93,692	4,048	2,045	-	-	224,503	324,288
Financial Assets at Fair Value Through Profit and Loss	6,222	81,065	514,508	61,016	14,872	674,647	1,352,330
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	497,168	1,080,022	1,073,855	1,555,819	30,929	20,855	4,258,648
Loans (*)	11,932,821	1,922,493	6,698,651	13,067,450	4,139,381	374,161	38,134,957
Held-To-Maturity Investments	28,988	80,163	183,805	-	-	-	292,956
Other Assets	-	1,948	21,653	29,459	3,252	2,177,527	2,233,839
Total Assets	12,558,891	3,169,739	8,494,517	14,713,744	4,188,434	10,283,303	53,408,628
Liabilities							
Bank Deposits	1,330,881	28,478	8,182	-	-	116,470	1,484,011
Other Deposits	19,667,238	7,272,654	487,812	68,409	-	5,307,850	32,803,963
Money Market Borrowings	1,062,443	-	-	-	-	-	1,062,443
Sundry Creditors	-	-	-	-	-	1,109,670	1,109,670
Marketable Securities Issued	-	278,005	432,271	-	-	-	710,276
Funds Provided From Other Financial Institutions	1,447,824	2,963,171	3,878,348	164,800	117,152	-	8,571,295
Other Liabilities	17,433	17,370	40,792	42,180	3,301	7,545,894	7,666,970
Total Liabilities	23,525,819	10,559,678	4,847,405	275,389	120,453	14,079,884	53,408,628
Balance Sheet Long Position	-	-	3,647,112	14,438,355	4,067,981	-	22,153,448
Balance Sheet Short Position	(10,966,928)	(7,389,939)	-	-	-	(3,796,581)	(22,153,448)
Off-Balance Sheet Long Position	634,851	2,411,576	-	-	-	-	3,046,427
Off-Balance Sheet Short Position	-	-	(1,619,693)	(1,156,183)	(158,017)	-	(2,933,893)
Total Position	(10,332,077)	(4,978,363)	2,027,419	13,282,172	3,909,964	(3,796,581)	112,534

(*) Revolving loans 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 TL321,832, intangible assets amounting to TL473,933, subsidiaries amounting to TL167,861 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL83,217 while other liabilities line includes the shareholders’ equity of TL5,286,438.

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VI. Explanations Related to 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	0.20	0.09	-	10.93
Financial Assets at Fair Value Through Profit and Loss	1.58	4.03	-	8.41
Money Market Placements	-	-	-	11.24
Available-For-Sale Financial Assets	2.43	3.59	-	9.44
Loans	3.44	3.74	2.94	12.87
Held-To-Maturity Investments	-	-	-	12.58
Liabilities				
Bank Deposits	0.30	-	-	4.67
Other Deposits	1.20	1.99	1.75	9.91
Money Market Borrowings	-	-	-	8.32
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.16	-	9.10
Funds Provided From Other Financial Institutions	1.17	1.77	2.23	8.09
	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	-	0.09	-	7.62
Financial Assets at Fair Value Through Profit and Loss	2.86	5.44	-	9.49
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	4.25	5.17	-	9.52
Loans	4.18	4.30	3.46	11.77
Held-To-Maturity Investments	-	-	-	11.34
Liabilities				
Bank Deposits	1.44	1.37	-	5.60
Other Deposits	2.51	2.60	0.16	8.72
Money Market Borrowings	-	-	-	6.68
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	8.32
Funds Provided From Other Financial Institutions	1.67	2.46	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 issue products in calculation of interest rate sensitivity.

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VI. Explanations Related to Interest Rate Risk (Continued)

Interest rate risk on banking accounts: (Continued)

- b) Economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulting 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

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 determined properly.

VII. Explanations Related to 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 Bank’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 Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, 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 Bank manages its maturity risk within the limits determined by Bank’s Board of Directors.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need from deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the 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 net liquid assets/ loans to customers ratio within the limit.

Current Period	First Maturity(weekly)		Second Maturity (Monthly)	
31 December 2014	FC	FC+TRY	FC	FC+TRY
Average (%)	162	143	144	109
Maximum (%)	229	164	172	116
Minimum (%)	126	125	124	104

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VII. Explanations Related to Liquidity Risk (Continued)

Prior Period	First Maturity(weekly)		Second Maturity (Monthly)	
	FC	FC+TRY	FC	FC+TRY
31 December 2013				
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 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,994,317	6,472,611	-	-	-	-	-	8,466,928
Banks	195,540	590,581	8,540	8,317	-	-	-	802,978
Financial Assets at Fair Value Through Profit and Loss	-	140,264	118,084	197,951	147,625	74,385	-	678,309
Money Market Placements Available-For-Sale Financial Assets	-	550,169	-	-	-	-	-	550,169
Loans(**)	20,971	249,302	625,156	1,199,718	1,415,016	802,606	-	4,312,769
Held-To-Maturity Investments	-	13,098,032	2,584,323	7,321,032	16,901,873	5,086,069	400,881	45,392,210
Other Assets	-	-	-	10,370	50,383	48	2,410,365	2,471,166
Total Assets	2,210,828	21,100,959	3,336,103	8,737,388	18,514,897	6,280,468	2,811,246	62,991,889
Liabilities								
Bank Deposits	40,299	617,459	580,665	2,122	-	-	-	1,240,545
Other Deposits	5,456,469	27,701,781	4,769,977	186,681	82,902	206	-	38,198,016
Funds Provided From Other Financial Institutions	-	1,836,933	3,844,300	3,200,762	421,285	1,544,201	-	10,847,481
Money Market Borrowings	-	1,756,987	-	-	-	-	-	1,756,987
Marketable Securities Issued	-	165,887	262,196	563,500	-	-	-	991,583
Sundry Creditors	-	1,122,666	-	-	-	-	-	1,122,666
Other Liabilities	-	1,145,199	75,843	347,356	382,978	11,126	6,872,109	8,834,611
Total Liabilities	5,496,768	34,346,912	9,532,981	4,300,421	887,165	1,555,533	6,872,109	62,991,889
Liquidity Gap	(3,285,940)	(13,245,953)	(6,196,878)	4,436,967	17,627,732	4,724,935	(4,060,863)	-
Prior Period								
Total Assets	1,791,995	17,410,845	2,216,474	8,376,876	16,182,591	4,968,207	2,461,640	53,408,628
Total Liabilities	5,424,320	25,185,994	9,110,854	5,273,486	739,579	1,573,978	6,100,417	53,408,628
Liquidity Gap	(3,632,325)	(7,775,149)	(6,894,380)	3,103,390	15,443,012	3,394,229	(3,638,777)	-

(*) 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.

(**) Revolving loans 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 Liquidity Risk (Continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
As of 31 December 2014,								
Money Market Borrowings	-	1,758,172	-	-	-	-	(1,185)	1,756,987
Deposit	5,456,469	27,779,832	4,818,246	190,530	87,647	425	(135,133)	38,198,016
Bank Deposit	40,299	617,654	580,992	2,202	-	-	(602)	1,240,545
Funds Borrowed From Other Financial Institutions	-	1,852,160	3,852,189	3,298,751	701,379	1,797,708	(654,706)	10,847,481
Total	5,496,768	32,007,818	9,251,427	3,491,483	789,026	1,798,133	(791,626)	52,043,029
As of 31 December 2013,								
Money Market Borrowings	-	1,062,666	-	-	-	-	(223)	1,062,443
Deposit	5,307,850	19,712,320	7,359,152	496,829	73,687	-	(145,875)	32,803,963
Bank Deposit	116,470	1,331,298	28,556	8,591	-	-	(904)	1,484,011
Funds Borrowed From Other Financial Institutions	-	1,016,195	1,409,771	4,115,659	906,174	1,915,467	(791,971)	8,571,295
Total	5,424,320	23,122,479	8,797,479	4,621,079	979,861	1,915,467	(938,973)	43,921,712

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	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	936,087	930,247	1,238,720	761,673	34,250	3,900,977
Currency swaps-sell	7,303,718	2,873,581	3,504,691	2,240,117	117,201	16,039,308
Interest rate swaps-sell	1,226	7,676	17,068	26,423	669	53,062
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,602,410	1,993,020	4,179,510	12,714	-	8,787,654
Total	10,866,705	5,918,173	9,757,126	3,809,257	152,188	30,503,449
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	-	497,383	7,718	124,002	-	629,103
Held for trading transactions						
Foreign exchange forward contracts-sell	16,296	3,458	131,843	102,146	630	254,373
Foreign exchange forward contracts-sell	1,689,767	937,028	1,407,110	371,446	-	4,405,351
Currency swaps-sell	2,968,384	3,314,337	2,727,239	1,016,684	-	10,026,644
Interest rate swaps-sell	14,002	16,075	42,538	38,654	3,100	114,369
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	-	-	-	-	-	-
Total	2,415,519	2,995,020	4,581,282	11,501	-	10,003,322
	7,103,968	7,763,301	8,897,730	1,664,433	3,730	25,433,162

Cash disposal of derivative financial instruments is shown above table.

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VII. Explanations Related to Liquidity Risk (Continued)

Securitization positions:

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

Credit Risk Mitigation Techniques:

a) Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and bank’s net-off usage level, 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 considerably important in market conditions are monitored.

c) Types of collaterals received,

In terms of credit risk mitigation 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 bank credit customers obtained guarantee from other entities.

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

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

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VII. Explanations Related to Liquidity Risk (Continued)

Credit Risk Mitigation Techniques (Continued):

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	350,321	-	-	-
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 and brokerage houses	1,259,428	93,937	-	-
Conditional and unconditional corporate receivables	20,385,119	1,127,897	-	-
Conditional and unconditional retail receivables	15,104,769	461,735	-	-
Conditional and unconditional secured mortgage receivables	2,924,110	-	-	-
Past due receivables	452,485	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	1,298,103	58	-	-
Total	49,574,568	1,719,485	-	-

Prior Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	143,176	-	-	-
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	991,461	128,187	-	-
Conditional and unconditional corporate receivables	20,121,169	1,305,357	-	-
Conditional and unconditional retail receivables	8,873,076	281,814	-	-
Conditional and unconditional secured mortgage receivables	2,381,051	-	-	-
Past due receivables	348,506	-	-	-
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	2,587,301	17,656	-	-
Total	43,600,289	1,735,773	-	-

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VII. Explanations Related to Liquidity Risk (Continued)

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 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 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) Structure and organization of Risk management system,

Risk Management activities consist of; risk measurement, risk monitoring, risk control and reporting. Risk Management activities are performed by Group Risk Management and its staff.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

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 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 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.

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VII. Explanations Related to Liquidity Risk (Continued)

Risk management objectives and policies: (Continued)

i) Credit Risk

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 currencies and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted balance sheet figures.

According to economical value approach, changes in market interest rates may affect Bank’s assets, liabilities and off balance sheet items values. 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 calculating by discounting expected cash flow.

Economic value of the 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.

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VII. Explanations Related to Liquidity Risk (Continued)

Risk management objectives and policies: (Continued)

ii) Market Risk (Continued)

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 Bank maintains legal validation of collaterals 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.

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	51,375,486	43,010,849	51,465,416	43,276,801
Money Market Placements	550,169	-	550,169	-
Banks	802,978	324,288	802,978	324,288
Available-For-Sale Financial Assets	4,312,769	4,258,648	4,312,769	4,258,648
Held-To-Maturity Investments	317,360	292,956	341,671	288,676
Loans	45,392,210	38,134,957	45,457,829	38,405,189
Financial Liabilities	54,157,278	45,741,658	54,143,022	45,723,147
Bank Deposit	1,240,545	1,484,011	1,240,626	1,484,456
Other Deposit	38,198,016	32,803,963	38,202,689	32,804,974
Funds Borrowed From Other Financial Institutions (*)	12,604,468	9,633,738	12,604,468	9,633,738
Marketable Securities Issued	991,583	710,276	972,573	690,309
Sundry Creditors	1,122,666	1,109,670	1,122,666	1,109,670

(*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions

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

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

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.

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	4,371,580	668,553	-	5,040,133
Financial assets at fair value through profit and loss	87,567	590,742	-	678,309
<i>Public sector debt securities</i>	87,567	-	-	87,567
<i>Derivative financial assets held for trading</i>	-	590,742	-	590,742
Derivative financial assets for hedging purposes	-	60,800	-	60,800
Available-for-sale financial assets	4,284,013	17,011	-	4,301,024
<i>Public sector debt securities</i>	4,284,013	7,785	-	4,291,798
<i>Other available-for-sale financial assets(*)</i>	-	9,226	-	9,226
Financial Liabilities	-	744,683	-	744,683
Derivative financial liabilities held for trading	-	430,813	-	430,813
Derivative financial liabilities for hedging purposes	-	313,870	-	313,870
31 December 2013	Tier 1	Tier 2	Tier 3	Total
Financial Assets	4,885,017	827,797	-	5,712,814
Financial assets at fair value through profit and loss	653,630	698,700	-	1,352,330
<i>Public sector debt securities</i>	653,630	-	-	653,630
<i>Derivative financial assets held for trading</i>	-	698,700	-	698,700
Derivative financial assets for hedging purposes	-	112,245	-	112,245
Available-for-sale financial assets	4,231,387	16,852	-	4,248,239
<i>Public sector debt securities</i>	4,230,167	7,626	-	4,237,793
<i>Other available-for-sale financial assets(*)</i>	1,220	9,226	-	10,446
Financial Liabilities	-	550,966	-	550,966
Derivative financial liabilities held for trading	-	481,711	-	481,711
Derivative financial liabilities for hedging purposes	-	69,255	-	69,255

(*) All unquoted share certificates of TL11,745 which are recorded at fair value and at cost since its fair value cannot be reliably estimated are not included. (31 December 2013: TL10,409).

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 Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the 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	329,517	437,126	307,322	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	861,787	7,605,141	632,297	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) 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% and 11.50 % 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% and 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 TL87,567 (31 December 2013: TL653,630).

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	49,320	5,454	166,898	11,137
Swap Transactions	388,657	48,531	254,056	16,242
Futures Transactions	-	-	-	-
Options	73,940	24,840	235,910	14,457
Other	-	-	-	-
Total	511,917	78,825	656,864	41,836

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	544,271	33,226	8,171	59,683
Foreign	50,750	174,731	67,202	189,232
Branches and head office abroad	-	-	-	-
Total	595,021	207,957	75,373	248,915

b) Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	95,863	93,398	-	-
USA and Canada	21,020	22,706	-	-
OECD Countries(*)	4,193	3,452	-	-
Off-Shore Banking Regions	100,457	135,235	-	-
Other	3,948	1,643	-	-
Total	225,481	256,434	-	-

(*) EU countries, OECD countries except USA and Canada

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

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	387,369	-	738,279	-
Other	-	-	-	-
Total	387,369	-	738,279	-

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**TÜRK EKONOMİ BANKASI A.Ş.
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PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

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

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

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

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 unrestricted financial assets available-for-sale is TL2,164,077 (31 December 2013: TL2,422,860).

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,291,798	4,237,793
Quoted on a stock exchange	4,291,798	4,237,793
Not quoted	-	-
Share certificates	20,971	20,855
Quoted on a stock exchange (*)	-	1,220
Not quoted	20,971	19,635
Impairment provision (-)	-	-
Total	4,312,769	4,258,648

(*) Mutual funds participation certificate amount: TL1,220 (31 December 2013: None).

All unquoted available for sale equities are recorded at fair value except for the Bank’s investment of TL11,745 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2013: TL10,409).

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	Non-Cash	Cash	Non-Cash
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 Assets (Continued)

5. Information on loans: (Continued)

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
Cash Loans						
Non-specialized loans	43,171,908	572,570	-	1,819,421	403,355	-
Working capital loans	-	-	-	-	-	-
Export loans	4,869,485	24,967	-	16,525	4,250	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	633,410	-	-	15	-	-
Consumer loans (**)	11,451,287	208,100	-	608,991	25,425	-
Credit cards	2,386,647	-	-	85,757	2,295	-
Other	23,831,079	339,503	-	1,108,133	371,385	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	43,171,908	572,570	-	1,819,421	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 of income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

No. of extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
	1 or 2 times	569,542
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
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 Assets (Continued)

5. Information on loans: (Continued)

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

Cash Loans	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
Short-term loans and other receivables	23,747,531	229,569	911,306	174,716
Non-specialized loans	23,747,531	229,569	911,306	174,716
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	19,424,377	343,001	908,115	228,639
Non-specialized loans	19,424,377	343,001	908,115	228,639
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	43,171,908	572,570	1,819,421	403,355

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I. Explanations and Disclosures Related to the 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	30,447	30,501
Housing Loans	-	9,037	9,037
Vehicle Loans	-	8,712	8,712
General Purpose Loans	54	12,698	12,752
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	11,404,287	13,815,380

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

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the 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	44,458,064	37,317,656
Total	44,991,329	37,794,912

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	44,545,131	37,451,346
Foreign loans	446,198	343,566
Total	44,991,329	37,794,912

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	10,603	-
Indirect loans granted to subsidiaries and associates	-	-
Total	10,603	-

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

5. Information on loans: (Continued)

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	571,527	415,894
Total	719,530	528,076

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
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 Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	139,393	222,303	506,425
Additions (+)	809,200	6,580	59,996
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	149,980
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	669,698
Specific provision (-)	30,950	117,053	571,527
Net Balances on Balance Sheet	151,274	151,436	98,171

(*) 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 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			
Period End Balance	497	1,974	13,036
Specific Provision (-)	49	328	11,644
Net Balance	448	1,646	1,392
31 December 2013			
Prior Period End Balance	1,854	5,514	13,698
Specific Provision (-)	299	1,503	10,884
Net Balance	1,555	4,011	2,814

The foreign currency loans in the table above are stated in TL in the financial statements of the bank.

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	669,698
Specific Provision (-)	30,950	117,053	571,527
Loans to Real Persons and Legal Entities (Net)	151,274	151,436	98,171
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	506,425
Specific Provision (-)	23,408	88,774	415,894
Loans to Real Persons and Legal Entities (Net)	115,985	133,529	90,531
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

I. Explanations and Disclosures Related to the 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	Total
Neither past due nor impaired	29,333,974	11,451,287	2,386,647	43,171,908
Past due not impaired	1,124,673	608,991	85,757	1,819,421
Individually impaired	670,138	263,494	186,779	1,120,411
Total	31,128,785	12,323,772	2,659,183	46,111,740
Specific Provision	428,455	162,052	129,023	719,530
Total	428,455	162,052	129,023	719,530
Net credit balance on balance sheet	30,700,330	12,161,720	2,530,160	45,392,210
Prior Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	24,031,477	9,738,680	2,463,627	36,233,784
Past due not impaired	846,080	556,612	158,436	1,561,128
Individually impaired	549,387	175,386	143,348	868,121
Total	25,426,944	10,470,678	2,765,411	38,663,033
Specific Provision	325,993	99,643	102,440	528,076
Total	325,993	99,643	102,440	528,076
Net credit balance on balance sheet	25,100,951	10,371,035	2,662,971	38,134,957

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

	Commercial	Consumer	Credit Cards	Total
1 January 2014	325,993	99,643	102,440	528,076
Change for the period	265,092	144,957	101,859	511,908
Recoveries	(65,612)	(54,288)	(26,077)	(145,977)
Amounts written-off (*)	(97,018)	(28,260)	(49,199)	(174,477)
31 December 2014 Balance	428,455	162,052	129,023	719,530
	Commercial	Consumer	Credit Cards	Total
1 January 2013	255,411	58,630	71,726	385,767
Change for the period	215,774	74,637	75,312	365,723
Recoveries	(67,901)	(20,379)	(20,887)	(109,167)
Amounts written-off (**)	(77,291)	(13,245)	(23,711)	(114,247)
31 December 2013 Balance	325,993	99,643	102,440	528,076

(*) Amounting to TL174,635 past due receivable portfolio for which TL174,477 provision had been allocated, was sold to TURKASSET Varlık Yönetimi 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 the related past due receivable have been written off from the accounts.

(**) Amounting to TL117,132 past due receivable portfolio for which TL114,247 provision had been allocated, was sold to LBT Varlık Yönetimi A.Ş. for TL9,310, and after all sales procedures were completed at 28 June 2013 with the completion of the necessary procedures, and the related past due receivable have been written off from the accounts.

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5. Information on loans: (Continued)

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

m) Other explanations and disclosures:(continued)

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

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	712,086	231,125	181,462	1,124,673
Consumer Loans	275,799	239,728	93,464	608,991
Credit Cards	83,641	107	2,009	85,757
Total	1,071,526	470,960	276,935	1,819,421

31 December 2013	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	553,650	166,470	125,960	846,080
Consumer Loans	285,354	209,690	61,568	556,612
Credit Cards	158,357	2	77	158,436
Total	997,361	376,162	187,605	1,561,128

Of the 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 Bank held as at 31 December 2014 is TL860,261 (31 December 2013: TL1,047,494).

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

5. Information on loans: (Continued)

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	609,967	773,548
Vehicle	117,862	179,319
Cash	14,267	11,439
Other	118,165	83,188
Total	860,261	1,047,494

6. Information on held-to-maturity investments:

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	-
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	24,404	292,956
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	317,360	292,956

(*) It consists of accrual amounts.

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

7. Information on associates (Net):

- a.1) Information on unconsolidated 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) Explanations of consolidated associates: None (31 December 2013: None).
- a.4) Information on sector information on 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:

	TEB Economy Bank N.V.	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in capital	84,432	30,000	28,794	6,860
Legal reserves	-	9,177	11,803	5,792
Extraordinary reserves	-	15,525	-	-
Marketable securities valuation differences	998	-	(12)	(5)
Other reserves	(380)	(175)	27,984	(125)
Profit/loss	211,978	22,414	16,532	3,804
Prior periods profit/loss	198,697	6,583	8,566	1,798
Current period net profit/loss	13,281	15,831	7,966	2,006
Leasehold Improvements on Operational Leases (-)	-	206	67	-
Intangible Assets (-)	873	786	311	265
Total Core Capital	296,155	75,949	84,723	16,061
Supplementary Capital	-	-	-	-
Capital	296,155	75,949	84,723	16,061
Net Usable Equity	296,155	75,949	84,723	16,061

There is no assessment of subsidiaries’ internal capital adequacy.

Paid-in capital amount is capital amount registered on Turkish Trade Registration as TRY Currency defined on the main agreement.

Legal reserves is the reserves which is allocated from annual profit, published in Official Gazette on 14 February 2011 numbered 6102, defined in the first paragraph and second paragraph’s 3rd item of the Article 519 and Article 520 in accordance with Establishment Laws.

Extraordinary reserves is the reserves that was allocated from after tax profit in compliance with the decisions made on the Annual General Assembly.

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

8. Information on subsidiaries (Net): (Continued)

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subsection to the reasonable justifications of non-consolidate and minimum capital requirement: None (31 December 2013: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2013: None).
- d) Information on consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

Description	Address (City/ Country)	Bank’s share percentage- If different voting percentage (%)	Other shareholders’ share percentage (%)
The Economy Bank N.V. (*)	The Netherlands	100.00	-
TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62	3.38
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60	29.14

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

Total Assets	Shareholders’ 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	-

(*) As of 31 December 2014, the figures are the converted amount from the financial statements using end-of-period exchange rate for balance sheet and twelve months average rate for the income statement. The Economy Bank NV consolidates two partners, 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 Assets (Continued)

8. Information on subsidiaries (Net): (Continued)

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	167,861	167,861
Movements during the period	9,379	-
Purchases	-	-
Bonus shares obtained	9,379	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	177,240	167,861
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.	43,416	34,037
Other Financial Subsidiaries	/TEB Yatırım Men.Değ. A.Ş.	70,512	70,512
TEB Portföy Yönetimi A.Ş.		2,058	2,058
Total		177,240	167,861

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

9. Explanations on entities under common control (joint ventures):

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 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 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 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 tangible assets :

	31 December 2013	Additions	Disposals	Other	31 December 2014
Cost:					
Land and buildings	107,408	-	(2,276)	-	105,132
Leased tangible assets	41,719	-	(6,315)	-	35,404
Other	812,491	80,975	(41,091)	-	852,375
Total Cost	961,618	80,975	(49,682)	-	992,911
	31 December 2013	Period Charge	Disposals	Other	31 December 2014
Accumulated Depreciation:					
Land and buildings	35,064	3,694	(773)	-	37,985
Leased tangible assets	41,677	24	(6,315)	-	35,386
Other	563,045	81,197	(39,830)	-	604,412
Total Accumulated Depreciation	639,786	84,915	(46,918)	-	677,783
Net Book Value	321,832				315,128

- 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 intangible assets	164,259	27,444	-	-	191,703
Total Cost	164,259	27,444	-	-	191,703
	31 December 2013	Period Charge	Disposals	Other	31 December 2014
Accumulated Depreciation:					
Other intangible assets	111,450	25,905	-	-	137,355
Total Accumulated Depreciation	111,450	25,905	-	-	137,355
Net Book Value	52,809				54,348

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I. Explanations and Disclosures Related to the 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: Not applicable for the unconsolidated financial statements
- i) Information on Goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

- j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Additions	-	-
Ending balance	421,124	421,124

- 14. Information on investment properties : None (31 December 2013 : None) .**

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

15. Explanations on deferred tax assets :

- a) As of 31 December 2014, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL96,746 (31 December 2013: TL34,242). 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:

	Current Period	Prior Period
At January 1,	34,242	124,686
Deferred tax / benefit (charge)	60,999	(103,991)
Deferred tax accounted for under equity	1,505	13,547
Other	-	-
Deferred Tax Asset	96,746	34,242

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

	Current Period	Prior 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(-), net	64,167	37,801
Impairment (-)	2,087	5,463
Depreciation Value (-)	2,352	2,173
Period End Cost	83,187	86,505
Period End Accumulated Depreciation (-)	3,721	3,288
Closing Net Book Value	79,466	83,217

17. Information on other assets:

Other Assets item of the balance sheet amounting to TL1,262,460 (31 December 2013: TL1,040,230) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	927,211	-	3,744,377	9,897,136	396,187	26,609	28,648	-	15,020,168
Foreign currency deposits	2,076,471	-	2,060,498	6,430,643	131,059	146,074	134,677	-	10,979,422
Residents in Turkey	1,952,014	-	1,816,523	6,174,947	115,867	114,917	127,987	-	10,302,255
Residents abroad	124,457	-	243,975	255,696	15,192	31,157	6,690	-	677,167
Public sector deposits	247,153	-	37,999	13,682	7,954	-	-	-	306,788
Commercial deposits	1,941,361	-	1,566,197	4,307,768	227,055	7,279	4,107	-	8,053,767
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	-	553,383	638,234	-	6,507	2,122	-	1,240,545
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	33	-	-	-	-	6,507	2,122	-	8,662
Foreign Banks	38,233	-	553,383	638,234	-	-	-	-	1,229,850
Special finance houses	2,033	-	-	-	-	-	-	-	2,033
Other	-	-	-	-	-	-	-	-	-
Total	5,496,768	-	8,080,165	24,394,485	1,102,262	195,282	169,599	-	39,438,561

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	868,553	-	3,681,611	6,883,524	766,696	46,239	37,610	-	12,284,233
Foreign currency deposits	1,794,303	-	2,133,375	4,916,572	368,080	115,708	216,797	-	9,544,835
Residents in Turkey	1,682,479	-	2,059,914	4,664,038	350,608	74,017	211,300	-	9,042,356
Residents abroad	111,824	-	73,461	252,534	17,472	41,691	5,497	-	502,479
Public sector deposits	220,770	-	5,665	23,918	348,071	-	-	-	598,424
Commercial deposits	1,975,878	-	1,454,858	3,416,921	459,263	46,560	11,879	-	7,365,359
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	116,470	-	1,297,495	59,754	-	8,182	2,110	-	1,484,011
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	34	-	220,047	2,024	-	8,182	2,110	-	232,397
Foreign Banks	47,286	-	1,077,448	57,730	-	-	-	-	1,182,464
Special finance houses	69,150	-	-	-	-	-	-	-	69,150
Other	-	-	-	-	-	-	-	-	-
Total	5,424,320	-	8,722,801	16,710,177	2,914,461	231,525	284,690	-	34,287,974

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 Liabilities (Continued)

ii) Deposits 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 26 September 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	83,449	13,927	56,913	5,154
Swap Transactions	172,865	90,975	233,404	31,535
Futures Transactions	-	-	-	-
Options	55,852	13,745	147,561	7,144
Other	-	-	-	-
Total	312,166	118,647	437,878	43,833

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	176,406	161,717	161,386	220,561
From Foreign Banks, Institutions and Funds	75,552	8,647,891	370,200	6,040,825
Total	251,958	8,809,608	531,586	6,261,386

As of 31 December 2014, the Bank has borrowings from its related parties amounting to TL4,785,011 (31 December 2013: TL3,088,488).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	8,458,362	220,774	5,779,750
Medium and long-term	251,958	351,246	310,812	481,636
Total	251,958	8,809,608	531,586	6,261,386

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

The 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 2014 and 26 August 2015 maturity amounting to EUR335,000,000 and USD180,000,000.

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.

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

d) Information on funds provided from repurchase agreement transactions:

	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) Information 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	-

Bond issued by the 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 bill market with the ISIN code “TRQTEBK31510”.

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”.

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”.

Bond issued by the 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 bill market with the ISIN code “TRQTEBK41519”.

Bond issued by the 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 bill market with the ISIN code “TRQTEBK81515”.

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”.

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”.

Bond issued by the 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).

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

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

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 bank: In the financial lease agreements, installments are based on useful life, usage periods and principles of the Tax Procedural Law.
- 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 TL184,207 (31 December 2013: TL159,858) 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.

6. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	11,264	-	15,433	-
Cash flow hedge	302,606	-	53,822	-
Hedge of net investment in foreign operations	-	-	-	-
Total	313,870	-	69,255	-

The 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	481,658	405,795
Additional Provision for Loans and Receivables with Extended Maturities	16,595	34,222
Provisions for Second Group Loans and Receivables	71,490	60,259
Additional Provision for Loans and Receivables with Extended Maturities	2,590	7,809
Provisions for Non-Cash Loans	34,653	28,504
Other	2,552	1,113
Total	609,538	537,702

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The 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 TL21,906 (31 December 2013: TL24,808) unused vacation provision, TL97,662 (31 December 2013: TL85,927) employee termination benefit provision, TL88,930 (31 December 2013: TL65,013) bonus for the employee provision for health expenses are presented under “Reserve for Employee Benefit” in financial statements.

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

7. Information on provisions: (Continued)

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

d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	85,927	89,898
Service cost	14,181	12,266
Interest cost	9,246	6,566
Settlement cost	2,739	1,675
Actuarial loss/gain	(6,252)	(19,459)
Benefits paid	(8,179)	(5,019)
Total	97,662	85,927

(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. XVI “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 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

Transferrable Retirement and Health Liabilities:	31 December 2014	31 December 2013
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%

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

7. Information on provisions: (Continued)

As of 31 December 2014, medical inflation is expected more than 20% (31 December 2014 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.

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	37,355	35,502
Provision for promotions of credit cards and banking services	12,625	12,204
Other	58,293	18,032
Total	151,094	100,529

8. Explanations on taxes payable:

a) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	83,863	13,070
Taxation on Securities	35,744	26,875
Property Tax	2,202	1,804
Banking Insurance Transaction Tax (BITT)	35,654	28,977
Foreign Exchange Transaction Tax	13	15
Value Added Tax Payable	5,100	6,062
Other (*)	17,409	15,989
Total	179,985	92,792

(*) Others include income taxes deducted from wages amounting to TL13,392 (31 December 2013: TL11,777) and stamp taxes payable amounting to TL1,306 (31 December 2013: 1,174).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5,209	4,434
Social Security Premiums-Employer	6,030	5,174
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	463	412
Unemployment Insurance-Employer	732	622
Other	-	-
Total	12,434	10,642

c) Explanations on deferred tax liabilities, if any: None (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 Liabilities (Continued)

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

The Bank has signed an agreement with the International Finance Corporation (IFC) on 27 June 2005, for a subordinated loan. The facility is a USD50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD100 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 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 EUR100 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 EUR100 million issue has been determined as 96.026% (the price determined as the 12-year 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 EUR852,527.78 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 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 maturity date of the debt instrument is determined as 14 May 2024 and there is no option to repay within the first seven years. 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.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The maturity 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 Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR125 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 Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD65 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 affect the capital adequacy ratio of the Bank as well as utilizing long term funding

a) Information on subordinated loans:

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

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

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	-	-

c) 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 year end period, the general purpose of these commitments and projected resources required to meet these commitments: None.

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

Prior year income, profitability and liquidity of the 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 Bank’s future interest income via simulations of net interest income and scenario analysis.

g) Information on preferred shares:

7% of the Bank’s remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the 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	(18,848)	37	(93,714)	15
Foreign Exchange Difference	-	-	-	-
Total	(18,848)	37	(93,714)	15

Government debt securities with TL224,275 nominal value which had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value amounting to TL287,008 as of 25 September 2013. As of 25 September 2013, accumulated valuation difference amounting to negative TL38,362 for reclassified available for sale securities are followed under shareholders’ equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 31 December 2014, total accumulated valuation difference of these securities followed under shareholders’ equity is negative TL31,146 (31 December 2013: TL36,973).

12. Information on minority shares: None (31 December 2013:None)

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III. Explanations and Disclosures Related to the 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	1,689,250	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	290,703	188,342
Total	12,633,845	11,451,278

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

The Bank, 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	1,271,645	1,356,355
Bank Acceptances	62,150	271,178
Other Commitments	1,802,337	1,420,669
Other Contingencies	440,207	419,412
Total	3,576,339	3,467,614

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	704,944	526,708
Total	8,284,602	7,874,405

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

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	512,651	781,422
With maturity of 1 year or less than 1 year	24,310	6,361
With maturity of more than 1 year	488,341	775,061
Other non-cash loans	11,348,290	10,560,597
Total	11,860,941	11,342,019

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

I. 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	33,110	0.51	71,081	1.50	45,051	0.68
Farming and raising livestock	57,315	1.06	32,392	0.50	53,208	1.12	39,686	0.60
Forestry, Wood and Paper	21,836	0.40	718	0.01	16,956	0.36	5,365	0.08
Fishery	6,424	0.12	-	-	917	0.02	-	-
Manufacturing	2,380,447	44.01	3,596,261	55.73	2,165,556	45.56	3,628,615	55.07
Mining and Quarry	140,719	2.60	308,516	4.78	138,368	2.91	120,580	1.83
Production	2,178,218	40.27	3,219,118	49.89	1,972,506	41.50	3,423,583	51.96
Electricity, Gas and Water	61,510	1.14	68,627	1.06	54,682	1.15	84,452	1.28
Construction	1,183,909	21.89	1,287,903	19.96	1,107,734	23.31	1,291,228	19.59
Services	1,659,868	30.70	776,909	12.04	1,323,725	27.85	770,737	11.69
Wholesale and Retail Trade	695,905	12.87	107,900	1.67	601,981	12.67	153,347	2.33
Hotel, Tourism, Food and Beverage Services	46,956	0.87	48,973	0.76	43,405	0.91	17,506	0.27
Transportation and Communication	285,443	5.28	337,210	5.23	242,465	5.10	388,412	5.89
Financial Institutions	217,826	4.03	73,757	1.14	113,596	2.39	92,958	1.41
Real Estate and Renting	163,889	3.03	67,608	1.05	144,737	3.05	64,203	0.97
Self-employment Services	111,835	2.07	69,656	1.08	93,798	1.97	33,518	0.51
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	1.09	77,857	1.64	16,524	0.25
Other	98,603	1.82	758,356	11.76	84,489	1.78	853,803	12.97
Total	5,408,402	100.00	6,452,539	100.00	4,752,585	100.00	6,589,434	100.00

c.3) Information on Ist and IInd Group non-cash loans:

Non-cash loans	I st Group		II st Group	
	TL	FC	TL	FC
Letters of guarantee	4,134,937	4,075,713	57,041	16,911
Bank acceptances	-	62,150	-	-
Letters of credit	-	1,271,129	-	516
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,212,479	1,026,120	3,945	-
Total	5,347,416	6,435,112	60,986	17,427

The Bank 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).

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**III. Explanations and Disclosures Related to the 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):	57,417,249	49,187,388	-	-
Forward transactions	7,593,130	8,850,451	-	-
Swap transactions	32,121,791	20,108,295	-	-
Futures transactions	-	-	-	-
Option transactions	17,702,328	20,228,642	-	-
Interest related derivative transactions (II):	4,501,782	6,514,648	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	4,499,458	6,238,386	-	-
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)	61,922,456	55,702,036	-	-
Types of hedging transactions				
Fair value hedges	-	-	691,940	599,491
Cash flow hedges	-	-	10,394,271	3,916,034
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	11,086,211	4,515,525
Total Derivative Transactions (A+B)	61,922,456	55,702,036	11,086,211	4,515,525

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.

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.

	Current Period			Prior Period		
	Fair Value			Fair Value		
	Nominal	Asset	Liability	Nominal	Asset	Liability
Cross Currency Swaps	691,940	1,681	11,264	599,491	56,962	15,433
	691,940	1,681	11,264	599,491	56,962	15,433

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

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

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 up to 90 days. Effective portion of TL75,147 (31 December 2013: TL40,332 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. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets:

- a.1) The Bank'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 Bank'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.

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.

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

4. Explanations on contingent liabilities and assets: (Continued)

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”.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the 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 TL1,666,807 and 166,680,707 thousand (31 December 2013: TL1,726,140 and 172,614,007 thousand) and the total fair value is TL8,289,815 (31 December 2013: TL8,211,335).

6. 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 Statement of Income

1. a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	2,626,081	127,720	1,768,355	114,767
Medium and long term loans	1,746,284	171,479	1,548,244	171,064
Interest on non-performing loans	34,133	-	35,228	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	4,406,498	299,199	3,351,827	285,831

(*) Includes fees and commissions obtained from cash loans amounting to TL110,602 (31 December 2013: TL103,255).

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	24,485	182	2,959	245
Foreign banks	3,890	823	3,404	862
Branches and head office abroad	-	-	-	-
Total	28,375	1,005	6,363	1,107

c) Information on interest received from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	32,586	1,063	61,713	735
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	359,176	67	290,552	43
Investments Held-to-Maturity	29,077	-	7,893	-
Total	420,839	1,130	360,158	778

d) Interest received from Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	102	328

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	12,001	4,949	7,612	5,793
Foreign banks	16,517	143,861	56,264	117,878
Branches and head office abroad	-	-	-	-
Other financial institutions	-	13,865	-	13,030
Total	28,518	162,675	63,876	136,701

(*) Includes fees and commission expenses of cash loans amounting to TL5,617 31 December 2013: TL4,138).

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

b) Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,335	1,808

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 expenses 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	-	17,502	60	43	918	140	-	18,663
Saving deposits	-	307,926	802,569	43,608	2,529	2,454	-	1,159,086
Public sector deposits	1	140	1,928	3,277	-	-	-	5,346
Commercial deposits	-	102,200	372,797	29,519	725	1,239	-	506,480
Other deposits 7 days call accounts	-	13,321	196,939	100,202	566	119	-	311,147
Total	1	441,089	1,374,293	176,649	4,738	3,952	-	2,000,722
FC								
Foreign currency deposits	-	32,353	173,043	6,688	3,127	5,287	-	220,498
Bank deposits	-	503	1,390	-	-	-	-	1,893
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,051	2,696	154	299	-	-	4,200
Total	-	33,907	177,129	6,842	3,426	5,287	-	226,591
Grand Total	1	474,996	1,551,422	183,491	8,164	9,239	-	2,227,313

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	-	21,082	1,484	449	182	253	-	23,450
Saving deposits	-	259,176	494,396	131,814	17,327	4,101	-	906,814
Public sector deposits	1	2,095	10,412	14,184	68	-	-	26,760
Commercial deposits	-	85,488	272,739	46,984	4,805	110	-	410,126
Other deposits 7 days call accounts	-	5,274	88,404	46,874	30,401	1,542	-	172,495
Total	1	373,115	867,435	240,305	52,783	6,006	-	1,539,645
FC								
Foreign currency deposits	-	47,750	114,248	15,644	4,010	4,787	-	186,439
Bank deposits	-	394	802	84	-	-	-	1,280
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,573	2,518	355	258	-	-	4,704
Total	-	49,717	117,568	16,083	4,268	4,787	-	192,423
Grand Total	1	422,832	985,003	256,388	57,051	10,793	-	1,732,068

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	1,716
Other	17,939	3,224
Toplam	19,278	4,940

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

4. Information on net trading income:

	Current Period	Prior Period
Income	13,164,890	8,875,074
Gains on capital market operations	45,275	136,298
Gains on derivative financial instruments (*)	3,418,651	3,072,440
Foreign exchange gains (**)	9,700,964	5,666,336
Losses (-)	13,521,571	8,803,370
Losses on capital market operations	37,090	94,604
Losses on derivative financial instruments (*)	4,240,400	2,614,321
Foreign exchange losses (**)	9,244,081	6,094,445

(*) As of 31 December 2014, foreign exchange loss 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 gain).

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 TL87,718 (31 December 2013: TL79,618) and amount to TL19,720 (31 December 2013: 7,709) 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	461,393	349,371
III. Group Loans and Receivables	115,967	89,683
IV. Group Loans and Receivables	143,354	112,848
V. Group Loans and Receivables	202,072	146,840
General provision expenses	71,836	132,397
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	32,374	577
Total	565,603	482,345

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	824,495	729,704
Reserve for employee termination benefits	26,908	20,814
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	84,915	69,250
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	25,905	14,132
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	680,993	620,849
Operating lease expenses	184,207	159,858
Maintenance expenses	27,715	27,639
Advertisement expenses	72,203	79,060
Other expenses	396,868	354,292
Loss on sales of assets	4,031	1,266
Other (*)	306,510	238,206
Total	1,958,196	1,701,857

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

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

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

Profit before tax of the Bank consists of net interest income and net fees and commission income amounting to TL2,564,505 (31 December 2013: TL1,972,239) and TL880,821 (31 December 2013: TL647,518), respectively; while operating expenses are TL1,958,196 (31 December 2013: TL1,701,857).

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

- a) As of 31 December 2014, the current tax charge is TL233,494 (31 December 2013: TL60,125 current tax charge). Deferred tax benefit is TL60,999 (31 December 2013: TL103,991 deferred tax charge) and there is no current and deferred tax benefit from discontinued operations.
- b) Deferred tax benefit on temporary differences resulted from continued operations is TL60,999 (31 December 2013: TL103,991 deferred tax charge).
- c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	795,055	699,164
Additions	96,629	160,167
Nonallowable expenses	25,392	28,658
General loan loss provision	71,237	131,509
Deductions	(28,951)	(38,751)
Dividend income	(19,166)	(4,910)
Other	(9,785)	(33,841)
Taxable Profit / (Loss)	862,733	820,580
Corporate tax rate	20%	20%
Tax calculated	172,547	164,116
Effect of tax account adjustment in the prior period	(52)	-
Tax expense	172,495	164,116

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

The Bank’s net profit from continued operations for the year ended 31December 2014 is TL622,560 (31 December 2013: TL535,048).

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 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: None (31 December 2013: None).

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IV. Explanations and Disclosures Related to the 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:

	Current Period	Prior Period
<u>Other fees and commissions received</u>		
Card fee and commissions	670,941	445,344
Insurance commissions	88,241	52,091
Intelligence fee and commissions	71,429	61,410
Settlement expense provision, eft, swift, agency commissions	35,323	29,509
Transfer commissions	28,186	26,333
Fund management fees	18,930	22,221
Commissions and fees earned from correspondent banks	4,511	5,726
Other	271,953	208,515
Total	1,189,514	851,149
<u>Other fees and commissions paid</u>		
Credit cards commissions and fees	340,021	226,183
Settlement expense provision, eft, swift, agency commissions	21,574	10,556
Commissions and fees paid to correspondent banks	8,846	6,792
Other	51,690	59,981
Total	422,131	303,512

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

- a) Shareholders' equity decreased TL93,610 after resulting from revaluation of financial assets available for sale (31 December 2013: TL194,054 decreased) and change effect to deferred tax is TL18,722 (31 December 2013: TL38,310).

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 amounting TL106,490 income (31 December 2013: TL105,299 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): TL10,304 income (31 December 2013: TL71,004 income).

- b) Increase in cash flow risk hedging items:

The 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 in year 2014 is TL115,379 increased (31 December 2013: TL102,314 increased) and change effect to deferred tax is TL23,076 (31 December 2013: TL20,463).

- 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 TL26,752 in 2014 (31 December 2013: TL24,281).

- h) Information on shares issued:

The Bank has not recorded any shares issued in “Share Premium” account in the current period.

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VI. Explanations and Disclosures Related to Statement of 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 TL2,704,882 (31 December 2013: TL1,283,965) 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 TL753,474 (31 December 2013: TL170,520) 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 TL1,252,038 (31 December 2013: TL1,881,042) consists of changes in sundry debtors, blocked reserved deposits and other assets.

Other items” amounting to TL27,445 (31 December 2013: TL44,644) 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 TL3,981 for the year 2014 (31 December 2013: TL28,013).

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	1,546,637	1,088,529
Cash in TL/Foreign Currency	673,702	591,035
Central Bank – Unrestricted amount	852,969	447,146
Other	19,966	50,348
Cash equivalents	286,135	2,378,675
Banks	286,135	678,675
Money market placements	-	1,700,000
Total cash and cash equivalents	1,832,772	3,467,204

End of the period	Current Period	Prior Period
Cash	1,994,317	1,546,637
Cash in TL/Foreign Currency	766,643	673,702
Central Bank – Unrestricted amount	1,193,759	852,969
Other	33,915	19,966
Cash equivalents	1,315,849	286,135
Banks	765,849	286,135
Money market placements	550,000	-
Total cash and cash equivalents	3,310,166	1,832,772

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VII. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items of previous periods are presented as of 31 December 2013; income/expense items of previous periods 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	97	7,967	20,666	10	12,228	376,434
Balance at end of period	10,603	8,029	9,560	10	78,334	273,557
Interest and commission income	102	176	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 “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	64	8,368	2,815	4	35,486	396,822
Balance at end of period	97	7,967	20,666	10	12,228	376,434
Interest and commission income received	328	181	2,730	32	887	626

Subsidiaries, associates and entities under common control balance above includes TL97, direct and indirect shareholders of the Bank balance above includes TL13,536 and other entities included in the risk group balance above includes TL666 placement in “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	55,298	44,929	1,148,318	471,343	667,056	236,958
Balance at end of period	21,928	55,298	964,598	1,148,318	1,170,366	667,056
Interest on deposits	1,335	1,808	37,241	27,654	20,830	9,677

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

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

VII. Explanations on the Risk Group of the 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	-	-	11,369,222	8,489,076	664,232	3,628
End of period	-	-	9,347,278	11,369,222	673,619	664,232
Total income/loss	-	-	(153,444)	(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 benefits provided for the senior management of the Bank is TL26,082 (31 December 2013: TL25,217).

VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	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 Bank:

In the year 2014, Bank opened 11 branches, closed 4 branch. 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 significant events and matters arising subsequent to balance sheet date:

None.

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

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED NOTES TO THE YEAR END 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 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 unconsolidated financial statements of the 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 financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

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