

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

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**



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

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. (“the Bank”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2015 and the related consolidated statement of income, consolidated income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor’s professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. and its subsidiaries as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 402 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 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the 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

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Engin Çubukçu, SMMM
Partner

Istanbul, 5 February 2016

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FINANCIAL STATEMENTS AND AUDITED REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
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The consolidated financial report for the year-ended prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

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

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

	Subsidiaries	Associates	Jointly Controlled Entities
1	TEB Yatırım Menkul Değerler A.Ş.	-	-
2	TEB Faktoring A.Ş.	-	-
3	TEB Portföy Yönetimi A.Ş.	-	-

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

Yavuz Canevi	Jacques Roger	Dr. Akın Akbaygil	Ümit Leblebici	M. Aşkın Dolaştır	Gökhan Kazcılar
Chairman of the Board of Directors	Jean Marie Rinino Chairman of the Audit Committee	Vice Chairman of the Audit Committee	General Manager	Assistant General Manager Responsible of Financial Reporting	Director Responsible of Financial Reporting

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

Name-Surname/Title : Çiğdem Çelikkilek / Investor Relations Manager
Tel No : (0216) 635 24 63
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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2015**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

As of 31 December 2015 and 31 December 2014 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2015		31 December 2014	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	402,517	18.26
Other Shareholders	5,754	0.26	71,116	3.23
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2015, the Parent Bank’s paid-in-capital consists of TL2,204,390,000 shares of TL1.00 (full TL) nominal each.

As of 14 November 2014, BNP Paribas Fortis Yatırımlar Holding A.Ş., BNP Paribas Yatırımlar Holding A.Ş., BNP Paribas, and TEB Holding A.Ş. together hold 96.005% of Türk Ekonomi Bankası (“TEB”) 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”). Pursuant to Provisional Article 1 of the Communiqué, sell-out and squeeze-out rights become exercisable upon the acquisition of the additional share by BNP Paribas Fortis Yatırımlar Holding A.Ş., one of the controlling shareholders, on 14 November 2014.

Pursuant to Sub-paragraph (a) of the third paragraph of Article 6 of the Communiqué, the fair value of the sell-out right was determined to be TL2,437, which is the highest of the 5 prices to be taken as a basis in the valuation report prepared by Ernst&Young. The value was calculated by

- Comparing TL2.0032, which is the arithmetic average of the weighted average market prices of the 30 days preceding the announcement of the acquisition of the additional share,
- TL2.0185, TL2.0528 and TL2.0562, the averages of the weighted average market prices of the last six months, last one year and last five years preceding the announcement of the acquisition of the additional share, respectively,

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

- To TL2,437, which is the price determined in the valuation report prepared in line with the Board's Communiqué Serial: VIII, No: 45 On "International Valuation Standards In The Capital Markets" by Ernst Young Kurumsal Finansman Danışmanlık A.Ş. ("Ernst&Young"), an independent valuation institution which is not directly or indirectly affiliated with the Parent Bank in terms of capital equity and management and which has the capacity to give valuation services with the aim of determining a price according to the Capital Markets Board's legislation.

The shareholders other than the Controlling Shareholders exercised their right to sell-out their shares to BNP Paribas Fortis Yatırımlar Holding A.Ş. within the three-month-period between 14 November 2014 and 16 February 2015.

Following the application by BNP Paribas Fortis Yatırımlar A.Ş. on 18 February 2015, in line with the decisions made by the Parent Bank's Board of Directors on 26 February 2015,

- The Parent Bank filed an application with the CMB on 2 March 2015 for approval of the issuance document for the share issuance related to the Restricted Rights Issue to controlling shareholders, which will take place simultaneously with the annulment of the shares related to the squeeze-out process, and
- The Parent Bank filed an application with Borsa İstanbul A.Ş. requesting termination of trading of TEB's shares and delisting of TEB A.Ş. on the stock market.

On 13 March 2015, the CMB referred to Articles 5.14.1.3 and 5.14.2.2.1 of the International Standards on Auditing (ISA) and requested additional work. Additional work prepared by Ernst&Young and was submitted to the CMB on 6 April 2015. The results of this work were also announced on the same date on Public Disclosure Platform ("PDP").

The Parent Bank's application was evaluated in the Board of Directors meeting of Borsa İstanbul dated 19 March 2015, and it was announced by Borsa İstanbul with a PDP announcement on the same date that the following had been decided:

- TEB shares will be delisted following the approval of the export document by CMB,
- The Parent Bank shares will be removed from all the current indexes due to de-listing, and
- Following the completion of the Central Registry Agency (MKK) process, starting from the first business day following the announcement made by Borsa İstanbul on PDP, the Parent Bank shares will be removed from the exchange list and will be banned from being traded at the exchange.

As a result of the evaluation made regarding the Parent Bank's application, it was stated in the CMB bulletin dated 16 April 2015 that the application will be deemed positive, if:

- The difference between the unit share price of the Parent Bank determined by the valuation report and announced on PDP on 16 December 2014 and unit share price determined in the valuation report prepared by Ernst&Young based on the additional work done on the said valuation report and announced on PDP on 6 April 2015, is paid by the controlling shareholder BNP Paribas Fortis Yatırımlar Holding A.Ş., to the shareholders who used their right of sale and
- There are no issues in the BRSA opinion sent to the CMB regarding the Parent Bank's application which might negatively affect said application.

On 17 April 2015, following the publication of the CMB bulletin, Borsa İstanbul announced that Parent Bank shares were closed for trading on the exchange, prior to the first session, pursuant to the Board of Directors meeting of Borsa İstanbul dated 19 March 2015.

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

Following the positive opinion given by BRSA on 17 June 2015, the export document approved by the CMB was received by Parent Bank on 19 June 2015 and, after the registration procedures were completed, the shares subject to sell-out were cancelled on 23 June 2015, and on 24 June 2015 share prices were paid to share owners through the Central Registry Agency (MKK). On 24 June 2015 new shares were issued in place of the cancelled shares via private placement on behalf of our majority shareholder BNP Paribas Fortis Yatırımlar Holding A.Ş.

Following these transactions, as per the Borsa İstanbul Board of Directors decision dated 19 March 2015, TEB shares were delisted on 17 April 2015 and will be permanently removed from trading. On the same date, TEB was removed from the scope of the CMB Law by the CMB.

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

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
PhD.Akın Akbaygil	Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee and Independent Member of the Board of Directors	PhD
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Jean Paul Sabet	Vice Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors	University
Ümit Leblebici	General Manager and the Executive Member	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 and Chairman of the Audit Committee	University
Pascal Jean Fischer	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
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs	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
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
PhD.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Group Heads (*);		
Pascal Alfred J. Gilliard	Chief Risk Officer	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Traşın	Chairman of Inspection Committee	University

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

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

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1 JANUARY TO 31 DECEMBER 2015**

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

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

Name / Commercial Name	Share Amount	Share Ratio	Paid up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

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

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

The Parent Bank’s operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2015, the Parent Bank has 528 local branches and 4 foreign branches (31 December 2014: 546 local branches, 5 foreign branches). According to the Parent 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. Closing procedures are completed as of 23 November 2015.

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

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	1,202,307	8,713,621	9,915,928	861,788	7,605,141	8,466,929
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	599,312	100,633	699,945	589,709	98,027	687,736
2.1 Financial assets held for trading		599,312	100,633	699,945	589,709	98,027	687,736
2.1.1 Public sector debt securities		194,821	11,007	205,828	77,774	12,660	90,434
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		404,491	89,626	494,117	511,935	85,367	597,302
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)	621,048	716,404	1,337,452	595,903	409,246	1,005,149
IV. MONEY MARKET PLACEMENTS		206		206	550,207		550,207
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		206	-	206	550,207	-	550,207
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	4,031,751	98,873	4,130,624	4,309,078	179,193	4,488,271
5.1 Share certificates		21,544	75,150	96,694	21,035	96	21,131
5.2 Public sector debt securities		4,010,207	23,723	4,033,930	4,288,043	112,732	4,400,775
5.3 Other marketable securities		-	-	-	-	66,365	66,365
VI. LOANS AND RECEIVABLES	(I-5)	43,599,455	9,699,647	53,299,102	37,881,781	8,627,407	46,509,188
6.1 Loans and receivables		43,196,275	9,699,647	52,895,922	37,480,900	8,624,762	46,105,662
6.1.1 Loans to Risk Group of the Bank		10,477	2	10,479	78,295	3	78,298
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		43,185,798	9,699,645	52,885,443	37,402,605	8,624,759	46,027,364
6.2 Non-performing loans		1,232,527	-	1,232,527	1,120,411	86,123	1,206,534
6.3 Specific provisions (-)		829,347	-	829,347	719,530	83,478	803,008
VII. FACTORING RECEIVABLES	(I-17)	555,685	652,638	1,208,323	884,634	448,288	1,332,922
VIII. HELD TO MATURITY INVESTMENTS (Net)	(I-6)	339,417		339,417	317,360		317,360
8.1 Public sector debt securities		339,417	-	339,417	317,360	-	317,360
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-7)						
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(I-8)						
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-9)	5		5	5		5
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		5	-	5	5	-	5
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		5	-	5	5	-	5
XII. FINANCE LEASE RECEIVABLES	(I-10)						
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-11)	58,309		58,309	60,800		60,800
13.1 Fair value hedge		-	-	-	1,681	-	1,681
13.2 Cash flow hedge		58,309	-	58,309	59,119	-	59,119
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(I-12)	285,508		285,508	317,199	8,920	326,119
XV. INTANGIBLE ASSETS (Net)	(I-13)	473,474		473,474	476,834	873	477,707
15.1 Goodwill		421,124	-	421,124	421,124	-	421,124
15.2 Other		52,350	-	52,350	55,710	873	56,583
XVI. INVESTMENT PROPERTIES (Net)	(I-14)						
XVII. TAX ASSET		90,465		90,465	109,457	286	109,743
17.1 Current tax asset		1,742	-	1,742	3,849	286	4,135
17.2 Deferred tax asset	(I-15)	88,723	-	88,723	105,608	-	105,608
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-16)	71,874		71,874	79,466		79,466
18.1 Held for sale		71,874	-	71,874	79,466	-	79,466
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-18)	1,029,397	272,459	1,301,856	1,060,677	219,583	1,280,260
TOTAL ASSETS		52,958,213	20,254,275	73,212,488	48,094,898	17,596,964	65,691,862

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	28,615,414	15,762,218	44,377,632	27,332,692	13,098,358	40,431,050
1.1 Deposits from Risk Group of the Bank		555,149	1,003,773	1,558,922	886,673	1,337,883	2,224,556
1.2 Other		28,060,265	14,758,445	42,818,710	26,446,019	11,760,475	38,206,494
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	466,111	53,286	519,397	312,605	136,053	448,658
III. FUNDS BORROWED	(II-3)	1,659,879	11,075,414	12,735,293	982,230	9,383,235	10,365,465
IV. MONEY MARKET BALANCES		2,413,098	-	2,413,098	1,796,098	-	1,796,098
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		28,311	-	28,311	39,111	-	39,111
4.3 Funds provided under repurchase agreements		2,384,787	-	2,384,787	1,756,987	-	1,756,987
V. MARKETABLE SECURITIES ISSUED (Net)	(II-3)	184,110	86,553	270,663	696,679	294,904	991,583
5.1 Bills		184,110	86,553	270,663	696,679	294,904	991,583
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. SUNDRY CREDITORS		1,003,280	292,703	1,295,983	945,501	189,402	1,134,903
VIII. OTHER LIABILITIES	(II-4)	1,063,037	1,421	1,064,458	1,021,511	3,889	1,025,400
IX. FACTORING PAYABLES	(II-13)	5,303	9,853	15,356	2,502	5,330	7,832
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)	158,539	677	159,216	313,870	-	313,870
11.1 Fair value hedge		-	-	-	11,264	-	11,264
11.2 Cash flow hedge		158,539	677	159,216	302,606	-	302,606
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(II-7)	1,048,748	115,721	1,164,469	980,238	16,186	996,424
12.1 General loan loss provisions		699,098	-	699,098	610,851	10,443	621,294
12.2 Restructuring reserve		-	-	-	-	-	-
12.3 Reserve for employee benefits		209,755	5,209	214,964	217,620	2,277	219,897
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		139,895	110,512	250,407	151,767	3,466	155,233
XIII. TAX LIABILITY	(II-8)	235,380	-	235,380	198,901	1,203	200,104
13.1 Current tax liability		235,380	-	235,380	198,901	47	198,948
13.2 Deferred tax liability		-	-	-	-	1,156	1,156
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-10)	-	1,940,036	1,940,036	-	1,785,915	1,785,915
XVI. SHAREHOLDERS' EQUITY	(II-11)	6,750,050	271,457	7,021,507	5,988,356	206,204	6,194,560
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		821,314	59,479	880,793	699,075	1,035	700,110
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		(67,787)	59,523	(8,264)	(25,613)	1,035	(24,578)
16.2.4 Tangible assets revaluation differences		97,024	-	97,024	91,991	-	91,991
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment properties revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		527	-	527	527	-	527
16.2.8 Hedging funds (Effective portion)		80,987	(44)	80,943	(60,118)	-	(60,118)
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		707,998	-	707,998	689,723	-	689,723
16.3 Profit reserves		2,981,325	211,978	3,193,303	2,426,458	205,169	2,631,627
16.3.1 Legal reserves		230,800	-	230,800	196,866	-	196,866
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		2,461,561	211,978	2,673,539	1,927,004	205,169	2,132,173
16.3.4 Other profit reserves		288,964	-	288,964	302,588	-	302,588
16.4 Profit or loss		735,577	-	735,577	651,043	-	651,043
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		726,080	-	726,080	641,546	-	641,546
16.5 Minority shares	(II-12)	7,444	-	7,444	7,390	-	7,390
TOTAL LIABILITIES AND EQUITY		43,603,149	29,609,339	73,212,488	40,571,183	25,120,679	65,691,862

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENT
AT 31 DECEMBER 2015**

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

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

	Section 5 Note Ref	Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		54,826,586	53,052,884	107,879,470	49,294,310	50,198,673	99,492,983
I. GUARANTEES	(III-1)	6,275,583	8,223,238	14,498,821	5,409,460	6,690,175	12,099,635
1.1 Letters of guarantee		4,805,952	5,061,178	9,867,130	4,193,036	4,093,358	8,286,394
1.1.1 Guarantees subject to State Tender Law		142,514	115,200	257,714	122,191	109,163	231,354
1.1.2 Guarantees given for foreign trade operations		302,325	829,643	1,131,968	305,083	295,414	600,497
1.1.3 Other letters of guarantee		4,361,113	4,116,335	8,477,448	3,765,762	3,688,781	7,454,543
1.2 Bank loans		-	48,830	48,830	-	62,150	62,150
1.2.1 Import letter of acceptance		-	48,830	48,830	-	62,150	62,150
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		1,419	1,405,327	1,406,746	-	1,508,547	1,508,547
1.3.1 Documentary letters of credit		1,419	147,003	148,422	-	382,477	382,477
1.3.2 Other letters of credit		-	1,258,324	1,258,324	-	1,126,070	1,126,070
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		1,465,662	1,176,545	2,642,207	1,209,108	593,229	1,802,337
1.9 Other collaterals		2,550	531,358	533,908	7,316	432,891	440,207
II. COMMITMENTS	(III-1)	11,892,491	1,442,735	13,335,226	11,237,037	1,507,676	12,744,713
2.1 Irrevocable commitments		11,892,491	1,442,735	13,335,226	11,237,037	1,507,676	12,744,713
2.1.1 Forward asset purchase commitments		347,976	1,219,279	1,567,255	221,352	1,467,899	1,689,251
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		4,306,371	478	4,306,849	4,336,448	94	4,336,542
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		2,260,921	-	2,260,921	2,186,510	-	2,186,510
2.1.8 Tax and fund liabilities from export commitments		26,185	-	26,185	24,189	-	24,189
2.1.9 Commitments for credit card expenditure limits		4,580,727	-	4,580,727	4,101,473	-	4,101,473
2.1.10 Commitments for promotions related with credit cards and banking activities		4,538	-	4,538	5,178	-	5,178
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		365,773	222,978	588,751	361,887	39,683	401,570
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	36,658,512	43,386,911	80,045,423	32,647,813	42,000,822	74,648,635
3.1 Derivative financial instruments for hedging purposes		12,880,140	1,378,498	14,258,638	10,757,751	328,460	11,086,211
3.1.1 Fair value hedge		-	-	-	363,480	328,460	691,940
3.1.2 Cash flow hedge		12,880,140	1,378,498	14,258,638	10,394,271	-	10,394,271
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		23,778,372	42,008,413	65,786,785	21,890,062	41,672,362	63,562,424
3.2.1 Forward foreign currency buy/sell transactions		3,696,905	6,047,077	9,743,982	3,519,394	4,399,735	7,918,769
3.2.1.1 Forward foreign currency transactions-buy		1,331,946	3,475,605	4,807,551	1,776,887	2,678,599	3,855,486
3.2.1.2 Forward foreign currency transactions-sell		2,364,959	2,571,472	4,936,431	2,342,507	1,720,776	4,063,283
3.2.2 Swap transactions related to f.c. and interest rates		15,050,915	27,797,051	42,847,966	12,929,284	25,000,435	37,929,719
3.2.2.1 Foreign currency swap-buy		5,241,928	13,832,508	19,074,436	4,453,732	12,230,315	16,684,047
3.2.2.2 Foreign currency swap-sell		9,408,987	9,623,579	19,032,566	7,855,634	8,523,662	16,381,296
3.2.2.3 Interest rate swaps-buy		200,000	2,170,482	2,370,482	300,000	2,126,718	2,426,718
3.2.2.4 Interest rate swaps-sell		200,000	2,170,482	2,370,482	319,918	2,117,740	2,437,658
3.2.3 Foreign currency, interest rate and securities options		5,030,552	8,164,285	13,194,837	5,441,384	12,269,127	17,710,511
3.2.3.1 Foreign currency options-buy		2,100,903	4,525,821	6,626,724	3,286,819	5,630,784	8,917,603
3.2.3.2 Foreign currency options-sell		2,929,649	3,638,464	6,568,113	2,154,565	6,636,019	8,790,584
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	2,324	2,324
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)		161,703,595	24,544,621	186,248,216	138,891,704	20,338,707	159,230,411
IV. ITEMS HELD IN CUSTODY		35,398,554	1,489,887	36,888,441	28,952,363	1,653,942	30,606,305
4.1 Assets under management	(III-5)	9,864,449	-	9,864,449	1,666,897	20	1,666,917
4.2 Investment securities held in custody		14,217,391	391,059	14,608,450	16,934,690	410,826	17,345,516
4.3 Checks received for collection		10,538,519	845,235	11,383,754	9,910,466	968,716	10,879,182
4.4 Commercial notes received for collection		349,355	119,139	468,494	369,231	107,040	476,271
4.5 Other assets received for collection		-	134,454	134,454	-	167,340	167,340
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		428,840	-	428,840	71,079	-	71,079
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		125,888,687	22,995,805	148,884,492	109,768,918	18,643,929	128,412,847
5.1 Marketable securities		618,925	50,545	669,470	773,354	16,333	789,687
5.2 Guarantee notes		56,060,113	16,661,735	72,721,848	52,933,771	13,909,835	66,843,606
5.3 Commodity		114,135	206,019	320,154	53,640	211,098	264,738
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		61,766,008	4,088,626	65,854,634	49,443,763	3,131,992	52,575,755
5.6 Other pledged items		7,329,506	1,988,880	9,318,386	6,564,390	1,374,671	7,939,061
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		416,354	58,929	475,283	170,423	40,836	211,259
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		216,530,181	77,597,505	294,127,686	188,186,014	70,537,380	258,723,394

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

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

III. CONSOLIDATED STATEMENT OF INCOME

	Section 5 Note Ref.	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
I. INTEREST INCOME	(IV-1)	6,343,431	5,306,931
1.1 Interest on loans		5,732,189	4,717,636
1.2 Interest received from reserve deposits		21,805	1,775
1.3 Interest received from banks		38,672	31,790
1.4 Interest received from money market placements		50,023	32,844
1.5 Interest received from marketable securities portfolio		389,979	422,495
1.5.1 Held-for-trading financial assets		22,100	33,649
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		340,131	359,769
1.5.4 Investments held-to-maturity		27,748	29,077
1.6 Finance lease Income		-	-
1.7 Other interest income		110,763	100,391
II. INTEREST EXPENSE	(IV-2)	3,204,580	2,681,311
2.1 Interest on deposits		2,631,428	2,225,977
2.2 Interest on funds borrowed		338,930	233,013
2.3 Interest on money market borrowings		155,981	141,169
2.4 Interest on securities issued		43,072	55,521
2.5 Other interest expense		35,169	25,631
III. NET INTEREST INCOME/EXPENSE (I - II)		3,138,851	2,625,620
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,069,156	922,239
4.1 Fees and commissions received		1,468,675	1,358,798
4.1.1 Non-cash loans		127,875	115,205
4.1.2 Other	(IV-12)	1,340,800	1,243,593
4.2 Fees and commissions paid		399,519	436,559
4.2.1 Non-cash loans		2,502	2,069
4.2.2 Other	(IV-12)	397,017	434,490
V. DIVIDEND INCOME		1,112	1,339
VI. NET TRADING GAIN/(LOSS)	(IV-4)	(554,202)	(356,519)
6.1 Securities trading gains/ (losses)		2,124	8,130
6.2 Gains/ (losses) from derivative financial instruments		772,636	(821,749)
6.3 Foreign exchange gains/ (losses)		(1,328,962)	457,100
VII. OTHER OPERATING INCOME	(IV-5)	291,175	211,042
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		3,946,092	3,403,721
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	935,970	571,698
X. OTHER OPERATING EXPENSES (-)	(IV-7)	2,204,867	2,022,430
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		805,255	809,593
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-8)	805,255	809,593
XVI. TAX PROVISION FOR CONTINUED OPERATIONS(±)	(IV-9)	(185,971)	(178,540)
16.1 Current income tax (charge)/benefit		(213,116)	(241,755)
16.2 Deferred tax (charge)/benefit		27,145	63,215
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(IV-10)	619,284	631,053
XVIII. INCOME ON DISCONTINUED OPERATIONS		196,202	83,437
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		127,510	-
18.3 Income on other discontinued operations		68,692	83,437
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		76,093	66,429
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		76,093	66,429
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(IV-8)	120,109	17,008
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(IV-9)	(12,353)	(5,607)
21.1 Current income tax (charge)/benefit		(15,537)	(5,212)
21.2 Deferred tax (charge)/benefit		3,184	(395)
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(IV-10)	107,756	11,401
XXIII. NET PROFIT/LOSS (XVII±XXII)	(IV-11)	727,040	642,454
23.1 Group's profit/loss		726,080	641,546
23.2 Minority shares		960	908
Earnings per share		0.3294	0.2910

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS'
EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

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

IV. CONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
I. Additions to marketable securities revaluation differences for available for sale financial assets	20,236	97,904
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	(74,625)	(12,472)
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	176,327	(115,379)
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS (*)	22,516	13,964
IX. Deferred tax of valuation differences (*)	(43,699)	494
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	100,755	(15,489)
XI. Profit/Loss	727,040	642,454
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(24,128)	(12,094)
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	(3,548)	4
11.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	754,716	654,544
XII. Total Profit/Loss accounted for the period (X±XI)	827,795	626,965

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

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note Ref.	Paid-in Capital	Effect of Inflation Accounting on 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
Prior Period - 01.01-31.12.2014																			
I. Beginning Balance 31.12.2013		2,204,390	200,262	2,565	-	170,419	-	1,580,404	793,320	-	578,313	(102,647)	101,391	527	32,185	-	5,561,129	7,990	5,569,119
II. Corrections according to TAS 8																			
2.1 The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effects of changes in accounting policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)																			
		2,204,390	200,262	2,565	-	170,419	-	1,580,404	793,320	-	578,313	(102,647)	101,391	527	32,185	-	5,561,129	7,990	5,569,119
IV. Increase/Decrease related to merger																			
V. Marketable securities valuation differences (V-a)																			
VI. Hedging Funds (Effective Portion) (V-b)																			
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	78,069	-	-	-	-	-	45	78,114
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)
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)		-	-	-	-	-	-	-	(12,472)	-	-	-	-	-	-	-	(12,472)	-	(12,472)
XI. The disposal of assets																			
XII. The reclassification of assets																			
XIII. The effect of change in associate's equity																			
XIV. Capital increase																			
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium (V-h)																			
XVI. Share cancellation profits																			
XVII. Inflation adjustment to paid-in capital																			
XVIII																			
. Other		-	-	-	-	-	-	9,400	11,201	-	-	-	(9,400)	-	-	-	11,201	(29)	11,172
XIX. Period net income/(loss)																			
XX. Profit distribution																			
20.1 Dividends distributed		-	-	-	-	26,447	-	542,369	-	-	(568,816)	-	-	-	-	-	-	(1,524)	(1,524)
20.2 Transfers to reserves		-	-	-	-	26,447	-	542,369	-	-	(568,816)	-	-	-	-	-	-	(1,524)	(1,524)
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2014																			
(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)																			
		2,204,390	200,262	2,565	-	196,866	-	2,132,173	792,049	641,546	9,497	(24,578)	91,991	527	(60,118)	-	6,187,170	7,390	6,194,560

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

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

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

Audited	Section 5 Note Ref.	Paid-in Capital	Effect of Inflation Accounting 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- 01.01-31.12.2015																			
I																			
Beginning balance – 31.12.2014		2,204,390	200,262	2,565	-	196,866	-	2,132,173	792,049	-	651,043	(24,578)	91,991	527	(60,118)	-	6,187,170	7,390	6,194,560
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences	(V-a)	-	-	-	-	-	-	-	-	-	-	16,314	-	-	-	-	16,314	(60)	16,254
IV. Hedging Funds (Effective Portion)	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. The disposal of assets		-	-	-	-	-	-	-	(74,625)	-	-	-	-	-	-	-	(74,625)	-	(74,625)
X. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	18,063	-	-	-	-	-	-	-	18,063	2	18,065
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	726,080	-	-	-	-	-	-	726,080	960	727,040
XVIII. Profit distribution		-	-	-	-	33,934	-	541,366	61,213	-	(641,546)	-	5,033	-	-	-	-	(848)	(848)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(848)	(848)
18.2 Transfers to reserves		-	-	-	-	33,934	-	541,366	61,213	-	(641,546)	-	5,033	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2015																			
(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	-	230,800	-	2,673,539	796,700	726,080	9,497	(8,264)	97,024	527	80,943	-	7,014,063	7,444	7,021,507

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Section 5 Note Ref	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1,796,527	2,091,521
1.1.1 Interest received		6,261,058	5,242,198
1.1.2 Interest paid		(3,182,791)	(2,444,640)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		2,102,487	1,996,238
1.1.5 Other income		1,253,077	691,852
1.1.6 Collections from previously written off loans		495,010	445,072
1.1.7 Payments to personnel and service suppliers		(935,546)	(874,750)
1.1.8 Taxes paid		(198,242)	(172,218)
1.1.9 Others	(VI-1)	(3,998,526)	(2,792,231)
1.2 Changes in operating assets and liabilities		(1,369,517)	(876,062)
1.2.1 Net (increase)/ decrease in financial assets held for trading		(114,769)	565,077
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net decrease/ (increase) in due from banks and other financial institutions		49,827	(83,368)
1.2.4 Net (increase) in loans		(7,140,560)	(7,062,956)
1.2.5 Net (increase) in other assets	(VI-1)	(588,880)	(1,442,992)
1.2.6 Net increase (decrease) in bank deposits		(639,945)	447,534
1.2.7 Net increase in other deposits		5,143,285	5,104,841
1.2.8 Net increase (decrease) in funds borrowed		2,323,425	2,389,200
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(VI-1)	(401,900)	(793,398)
I. Net cash provided from / (used in) banking operations		427,010	1,215,459
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		414,154	(20,094)
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		346,768	-
2.3 Fixed assets purchases		(63,308)	(82,244)
2.4 Fixed assets sales		1,352	10,571
2.5 Cash paid for purchase of financial assets available for sale		(2,964,270)	(3,905,754)
2.6 Cash obtained from sale of financial assets available for sale		3,123,043	3,985,310
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(VI-1)	(29,431)	(27,977)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(712,418)	282,481
3.1 Cash obtained from funds borrowed and securities issued		266,556	1,604,439
3.2 Cash used for repayment of funds borrowed and securities issued		(978,800)	(1,321,806)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(174)	(152)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1)	313,450	9,874
V. Net increase / (decrease) in cash and cash equivalents		442,196	1,487,720
VI. Cash and cash equivalents at beginning of the period	(VI-2)	3,439,222	1,951,502
VII. Cash and cash equivalents at end of the period	(VI-2)	3,881,418	3,439,222

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

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Current Audited Period 31.12.2015(*)	Prior Audited Period 31.12.2014(*)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1 Corporate tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	-	-
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) The Bank does not distribute profit on consolidated accounts.

The accompanying notes are an integral part of these financial statements

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2015**

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

**SECTION THREE
ACCOUNTING PRINCIPLES**

I. Basis of Presentation

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards (“TAS”), and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué.

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

Additional paragraph for convenience translation into English:

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

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

Explanations on Usage Strategy of Financial Assets

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

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

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

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

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

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

Explanations on Usage Strategy of Financial Assets (continued)

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

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

Explanations on Foreign Currency Transactions

Gains or losses arising from foreign currency transactions realized during the year are reflected to the income statement. Foreign currency assets and liabilities at each period-end are translated into Turkish lira at the period-end foreign exchange buying rates and the resulting foreign exchange gains or losses are recorded in the income statement as foreign exchange gain or loss. The EUR and USD exchange rates used for translating foreign currency transactions into Turkish Lira and reflecting these to consolidated financial statements as of 31 December 2015 are TL3.1572 in full TL per EUR and TL2.9021 in full TL per USD, respectively (31 December 2014: EUR exchange rate is TL2.8144 in full TL, while the USD exchange rate is TL2.3244 in full TL).

There are no capitalized foreign exchange differences.

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

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

The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and the year end average exchange rate for their income statement items. The currency translation loss arising from the consolidated subsidiaries' inflation and devaluation differences as of 31 December 2014 amounting to TL12,472 (31 December 2015: None) foreign exchange difference loss on currency translation has been recorded in "Other Profit Reserves" under shareholders' equity.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Parent Bank, with no difference in practice between TAS and IFRS, and also the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method.

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

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

The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and consolidated sales revenue arising from those transactions amounting to TL127,510 and is presented under "Income from discontinued operations" in financial statements.

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

Explanations on Consolidation Method and Scope

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

<u>Commercial Name</u>	<u>Head Office</u>
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy	Turkey

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

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as 31 December 2015, 31 December 2014.

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

IV. Explanations on Forward and Option Contracts and Derivative Instruments

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

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

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

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

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

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

While the Parent Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/(Losses) from Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

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

VI. Explanations on Fees and Commission Income and Expenses

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

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

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

VII. Explanations on Financial Assets

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

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

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

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

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

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VII. Explanations on Financial Assets (continued)

Cash, Banks, and Other Financial Institutions

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

Financial Assets at Fair Value Through Profit and Loss

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

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. After the initial recognition, subsequent valuation of financial assets at fair value through profit and loss is performed based on the fair value. 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”. Fair values of debt securities that are traded in an active market are determined based on quoted prices and in the absence of quoted prices, fair value of these securities are determined using the prices declared in the Official Gazette in the absence of a price formed in an active market or other valuation methods stated in TAS are applied.

Held to Maturity Investments and Financial Assets Available for Sale

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

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

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

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

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

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

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

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

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

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VII. Explanations on Financial Assets (continued)

Loans and Provisions for Impairment

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

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

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

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

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

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

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

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

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

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VIII. Explanations on Impairment of Financial Assets

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

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

IX. Explanations on Offsetting of Financial Assets and Liabilities

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

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

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

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

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

As of 31 December 2015, the Group has reverse repo amounting to TL206 (31 December 2014: TL550,207).

As of 31 December 2015, the Group does not have any marketable securities lending transaction (31 December 2014: None).

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

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

As of 31 December 2015, assets held for sale and discontinued operations of the Group are TL71,874 (31 December 2014: TL79,466). As per the appraisals performed for the real estate’s held for sale included “Assets Held for Sale” in the financial statements, TL1,480 (31 December 2014: TL2,064) has been reserved as provision for impairment losses.

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XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

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

The other intangible assets of the Group comprise mainly software. 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. Software's used are mainly developed within the Parent Bank by the Bank's personnel and the related expenses are not capitalized.

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

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XIII. Explanations on Tangible Fixed Assets

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

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

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

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

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

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

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

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

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

XIV. Explanations on Leasing Transactions

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

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

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

The Group does not have any leasing transactions as "Lessor".

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XV. Explanations on Provisions and Contingent Liabilities

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

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

XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

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

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Parent Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2015 is TL102,153 (31 December 2014: TL101,658).

	31 December 2015	31 December 2014
Discount Rate (%)	10.30	8.60
Expected Inflation Rate (%)	5.00	5.00
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

Communiqué on “Turkish Accounting Standard (“TAS 19”) 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 2015, actuarial income amounting to TL17,815 (1 January - 31 December 2014: TL11,171) was classified as “Other Comprehensive Income” and as of 31 December 2015, a total of TL37,366 (31 December 2014: TL19,553) actuarial profit was accounted under “Other Reserves”.

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XVI. Explanations on Liabilities Regarding Employee Benefits (continued)

Employees transferred to the Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2015, the Pension Fund has 2,006 employees and 997 pensioners (31 December 2014: 2,166 employees and 959 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.

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 Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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

Defined Contribution Plans

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

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XVII. Explanations on Taxation

Corporate tax

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

The corporate tax in the Netherlands is 25% for Economy Bank.

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

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

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

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

Deferred Tax Liability / Asset

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

As of 31 December 2015 and 31 December 2014, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Parent Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis in the standalone financial statements of the consolidated subsidiaries.

After net off, the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax benefit has been presented on deferred tax provision for continued operations and deferred tax provision for discontinued operations amounting to TL30,329 (31 December 2014: TL62,820). 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	(3,980)	(19,789)
Cash flow hedge	(35,265)	23,076
Actuarial profit or loss	(4,454)	(2,793)
Total	(43,699)	494

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

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XVIII. Additional Explanations on Borrowings

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

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

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

The Group has not issued convertible bonds.

XIX. Explanations on Issued Share Certificates

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

XX. Explanations on Acceptances

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

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Group.

XXII. Explanations on Reporting According to Segmentation

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

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net interest income	473,816	299,704	1,077,191	1,284,703	3,437	3,138,851
Net fees and commissions income and other operating income	288,131	198,304	569,549	307,862	(3,515)	1,360,331
Trading profit/loss	1,695	(719)	(75)	(555,103)	-	(554,202)
Dividend income	-	-	-	21,440	(20,328)	1,112
Impairment provision for loans and other receivables (-)	174,242	137,043	492,639	132,046	-	935,970
Other operating expenses (-)	405,636	75,685	517,767	1,209,187	(3,408)	2,204,867
Profit from continued operations before taxes	183,764	284,561	636,259	(282,331)	(16,998)	805,255
Tax provision for continued operations(-)	-	-	-	185,971	-	185,971
Profit from discontinued operations before taxes	(8,515)	46,838	-	243,119	(161,333)	120,109
Tax provision for discontinued operations(-)	-	-	-	12,353	-	12,353
Net profit for the period	175,249	331,399	636,259	(237,536)	(178,331)	727,040

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Segment assets	12,348,571	13,290,889	24,743,720	22,847,915	(18,612)	73,212,483
Investments in associates, subsidiaries and jointly controlled entities	-	6,932	-	115,991	(122,918)	5
Total Assets	12,348,571	13,297,821	24,743,720	22,963,906	(141,530)	73,212,488
Segment liabilities	26,925,671	10,115,656	8,354,559	20,814,062	(18,967)	66,190,981
Shareholders' equity	-	-	-	7,141,922	(120,415)	7,021,507
Total Liabilities	26,925,671	10,115,656	8,354,559	27,955,984	(139,382)	73,212,488

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XXII. Explanations on Reporting According to Segmentation (continued)

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net interest income	389,246	256,318	893,452	1,084,542	2,062	2,625,620
Net fees and commissions income and other operating income	245,411	175,030	430,871	284,047	(2,078)	1,133,281
Trading profit/loss	269	755	(1,005)	(356,538)	-	(356,519)
Dividend income	-	-	-	20,528	(19,189)	1,339
Impairment provision for loans and other receivables (-)	145,306	37,745	283,474	105,173	-	571,698
Other operating expenses (-)	353,185	77,048	458,668	1,135,424	(1,895)	2,022,430
Profit from continued operations before taxes	136,435	317,310	581,176	(208,018)	(17,310)	809,593
Tax provision for continued operations(-)	-	-	-	178,540	-	178,540
Profit from discontinued operations before taxes	(14,423)	60,147	-	(26,836)	(1,880)	17,008
Tax provision for discontinued operations(-)	-	-	-	5,607	-	5,607
Net profit for the period	122,012	377,457	581,176	(419,001)	(19,190)	642,454

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

XXIII. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 30 March 2015 of the Parent Bank, TL622,560 that constitutes the 2014 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, TL31,128 as legal reserves, TL0.50(full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.06(full TL) as legal reserves and TL5,033 as tangible and intangible assets revaluation funds.

XXIV. Classifications

None.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

I. Explanations Related to the Consolidated Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 6 September 2014 and Official Gazette numbered 29111 and "Communiqué on Equities of Banks" published on 5 September 2013 in the Official Gazette numbered 28756. The Group's consolidated capital adequacy ratio is occurred 13.71% (31 December 2014: 13.79%) in accordance with the related Communiqué as of 31 December 2015.

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

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

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

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

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

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

Information related to the capital adequacy ratio:

Current Period - 31.12.2015	Risk Weight									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at Credit Risk Exposure Categories										
Conditional and unconditional receivables from central governments or central bank	16,080,397	-	-	-	-	151,167	-	-	88,367	-
Conditional and unconditional receivables from regional or local Governments	-	-	341,371	-	-	58	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international Organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage Houses	-	-	2,488,448	1,271,895	-	630,382	2,128	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	25,472,436	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	21,279,494	432,691	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	9,824,854	-	-	-	-	-	-
Past due receivables	-	-	-	45,586	-	284,318	75,605	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	7,104	-	1,657	1,744,068	2,484,779	3,576	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	793,893	-	37,571	-	-	926,472	-	-	-	-
Total Value at Risk	16,874,290	-	2,867,390	11,149,439	21,279,494	27,899,181	1,821,801	2,484,779	91,943	-
Total Risk Weighted Assets	-	-	573,478	5,574,720	15,959,621	27,899,181	2,732,702	4,969,558	229,858	-

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

Information related to the capital adequacy ratio: (continued)

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

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

Summary information related to the consolidated capital adequacy ratio:

	Consolidated		Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	4,635,129	4,155,469	4,539,535	3,965,965
Capital Requirement for Market Risk (CRMV)	65,557	78,051	65,397	59,032
Capital Requirement for Operational Risk (CROR) (*)	432,477	357,590	411,557	337,591
Total Capital	8,796,158	7,914,108	8,740,676	7,614,824
Total Capital /(((CRCR+CRMV+CROR)*12.5)*100)	13.71	13.79	13.94	13.96
Tier 1 Capital/(((CRCR+CRMV+CROR)*12.5)*100)	10.26	10.25	10.42	10.26
Common Equity Tier 1 Capital/(((CRCR+CRMV+CROR)*12.5)*100)	10.26	10.25	10.42	10.26

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

Information related to the components of shareholders' equity:

	Current Period 31.12.2015	Prior Period 31.12.2014
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	2,404,652
Share Premium	2,565	2,565
Share Cancellation Profits	-	-
Reserves	3,683,030	3,072,305
Income recognized under equity in accordance with TAS	97,024	91,991
Profit	735,577	651,043
Current Period's Profit	726,080	641,546
Prior Period's Profit	9,497	9,497
General Reserves for Possible Losses	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	527
Minority Shares	4,401	5,763
Common Equity Tier 1 Capital Before Deductions	6,927,776	6,228,846
Deductions from Common Equity Tier 1 Capital		
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	8,264	24,578
Leasehold Improvements on Operational Leases (-)	75,674	80,037
Goodwill and intangible asset and the related deferred tax liability (-)	258,558	241,105
Net Deferred Tax Asset / Liability (-)	-	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights (-)	-	-
Excess amount of deferred tax assets from temporary differences (-)	-	-
Other Items Determined by BRSA (-)	-	-
The amount to be deducted from common equity tier 1 capital (-)	-	-
Total Deductions from common equity tier 1 Capital	342,496	345,720
Total Common Equity Tier 1 Capital	6,585,280	5,883,126

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

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

	Current Period 31.12.2015	Prior 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/procured after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued/procured before 1.1.2014)	210,420	232,440
Third parties shares in Additional Tier 1 Capital	37	41
Additional Tier 1 Capital before Deductions	210,457	232,481
Deductions from Additional Tier 1 Capital		
Banks a direct or indirect investment in Tier 1 Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other Items Determined by BRSA(-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	210,457	232,481
Deductions From Tier 1 Capital		
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	210,420	232,440
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-	-
Tier 1 Capital	6,585,317	5,883,167
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	1,526,571	1,419,147
Pledged assets of the shareholders to be used for the Bank's capital increases	-	-
General Provisions	699,098	621,294
Third parties share in Tier 2 capital	49	55
Tier 2 Capital Before Deductions	2,225,718	2,040,496
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common 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	-	-
Total Tier 2 Capital	2,225,718	2,040,496

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

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

	Current Period 31.12.2015	Prior Period 31.12.2014
CAPITAL	8,811,035	7,923,663
Loan granted to Customer against the Articles 50 and 51 of the Banking Law (-)	11,651	6,347
Net Book Values of Immovable 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(-)	3,188	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 (-)	38	16
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	-
TOTAL CAPITAL	8,796,158	7,914,108
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	84,269	9,226
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	88,723	105,608

Information related to the components of shareholders' equity:

	Parent Bank		Consolidated	
	Amount to be considered in equity calculation in current period	Total	Amount to be considered in equity calculation in current period	Total
Minority shares in Common Equity Tier 1 Capital	-	-	4,401	7,347
Third parties in Additional Tier 1 Capital	-	-	-	-
Third parties in Tier 2 Capital	-	-	-	-
Bank's borrowing instruments and related premium (issued before 01.01.2015) (*)	483,966	667,483	483,966	667,483

(*) Borrowing instruments that are not compliant with the article 7&8 of the Communiqué on Equities of Banks will be deducted 10% for each year starting from 1 January 2015.

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

Information related to the components of shareholders' equity:

All of the debt securities included in the equity calculation are issued by the Parent Bank.

Investor	IFC	BNP Paribas	BNP Paribas	EBRD	BNP Paribas	EBRD
Unique identifier (e.g. CUSIP, ISIN)	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315	XS0947781828
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
Regulatory treatment						
Subject to 10% deduction as of 1/1/2015	Yes	No	No	Yes	No	Yes
Eligible at solo/group/group & solo	Available	Available	Available	Available	Available	Available
Instrument type	Credit	Borrowing	Borrowing	Borrowing	Borrowing	Borrowing
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	210.4	542.7	315.7	136.8	394.7	136.8
Par value of instrument(TL Currency in mil)	290.2	552.5	315.7	188.6	394.7	188.6
Accounting classification	34700001	34701100	34701100	34701100	34701100	34701100
Original date of issuance	31.07.2007	04.11.2011	20.07.2012	14.05.2012	27.06.2013	28.06.2013
Perpetual or dated	Demand	Time	Time	Time	Time	Time
Original maturity date	Demand	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
Optional call date, contingent call dates and redemption amount	31.07.2017	04.11.2018	20.07.2019	14.05.2019	27.06.2018	28.06.2018
Subsequent call dates, if applicable	-	-	-	-	-	-
Coupons / dividends						
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 3.5%	Euribor+4.75%	Euribor+4.75%	LIBOR + 5.75%	Euribor + 2.10%	LIBOR + 3.40%
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Available	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil	Nil	Nil
Convertible or non-convertible						
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
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not (***)	Not Possess	Possess	Possess	Not Possess	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)

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

(**) Under article 7/2; in subsection (ç), clauses on step-up and incentive to redeem; in subsection (f) delegating to the bank about cancellation of interest and dividend payment; in subsection i 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.

(***) Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

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I. Explanations Related to the Consolidated 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 Risk Management Systems ”. GRM includes contribution of Internal Audit, Internal Control and Department of Financial Affairs to demand and process to provide optimum comprehensive approach of Evaluation process. Evaluation process that is included countable and uncountable risks is risk-oriented and prudential, and constitutes a clearly connection between risk types and required capital level. Risk types considered on Evaluation Process is defined on the Evaluation Report and Risk Management 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 the Consolidated Credit Risk

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

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

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

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

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

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

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

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

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	15,990,416	14,090,150
Conditional and unconditional receivables from regional or local governments	378,578	356,734
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	929
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,378,708	4,024,448
Conditional and unconditional corporate receivables	26,715,388	24,729,750
Conditional and unconditional retail receivables	22,364,109	18,052,433
Conditional and unconditional secured mortgage receivables	9,824,854	6,240,090
Past due receivables	415,392	395,393
Receivables in high risk category defined by BRSA	4,241,184	4,180,877
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,757,937	1,851,917

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

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

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 of the Parent Bank, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Parent 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 Parent Bank is concerned.

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

As of 31 December 2015, the receivables of the Bank from its top 100 and top 200 cash loan customers amount to TL6,084,237 and TL8,522,711 and share in total cash loans respectively 11.50% and 16.11%.

As of 31 December 2015, the receivables of the Group from its top 100 and top 200 non-cash loan customers amount to TL6,354,502 and TL7,855,435 with a share of 43.83% and 54.18% respectively in the total non-cash loans.

As of 31 December 2015, 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 5.17% and 7.27% respectively.

As of 31 December 2015, the general loan loss provision related with the credit risk taken by the Bank is TL699,098 (31 December 2014: TL621,294).

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

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	9,084,464	7,666,370
Due from banks	1,337,452	1,005,149
Other money markets	206	550,207
Trading financial assets	205,828	90,434
Derivative financial instruments held for trading	494,117	597,302
Derivative financial instruments for hedging purposes	58,309	60,800
Financial assets available-for-sale	4,130,624	4,488,271
Held-to-maturity investments	339,417	317,360
Loans (*)	54,507,425	47,842,110
Total	70,157,842	62,618,003
Contingent liabilities	14,498,821	12,099,635
Commitments	13,335,226	12,744,713
Total	27,834,047	24,844,348
Total credit risk exposure	97,991,889	87,462,351

(*) Loans included factoring receivables amounting to TL1,208,323 (31December 2014: TL1,332,922) .

Credit quality per class of financial assets as of 31 December 2015 and 31 December 2014 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans and receivables			
Commercial loans	35,303,922	1,638,853	36,942,775
Consumer loans	12,516,249	869,462	13,385,711
Credit cards	2,685,186	199,161	2,884,347
Other loans	86,269	-	86,269
Total	50,591,626	2,707,476	53,299,102

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

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

	Current Period	Prior Period
Loans and receivables		
Commercial loans	897,747	740,105
Consumer loans	79,201	233,525
Credit cards	44,203	2,295
Total	1,021,151	975,925

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

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 2015, consumer loans and business loans are excluded from the internal rating system of the Parent Bank and those loans are about 37.50% 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 % 31.12.2015	Share in the Total % 31.12.2014
1 st Category	The borrower has a very strong financial structure	35.82	35.54
2 nd Category	The borrower has a good financial structure	28.23	27.68
3 rd Category	The borrower has an intermediate level of financial structure	29.86	31.96
4 th Category	The financial structure of the borrower has to be closely monitored in the medium term	6.09	4.82
	Total	100.00	100.00

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

Profile of significant exposures in major regions:

	Exposure Categories (***)														Total		
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates		Exposures in the form of collective investment undertakings	Others
Current Period																	
Domestic	235,459	75,147	-	-	-	1,188,586	18,374,264	14,526,996	4,789,438	459,449	7,450,552	-	-	-	-	657,824	47,757,715
European Union (EU) Countries	-	-	-	-	-	210,454	517,061	16,299	3,637	890	6,253	-	-	-	-	339	754,933
OECD Countries (*)	-	-	-	-	-	27,468	75,167	1,617	1,652	3	2,918	-	-	-	-	-	108,825
Off-Shore Banking Regions (***)	136,626	-	-	-	-	7	195,360	21,298	53,993	1,517	117,124	-	-	-	-	13	525,938
USA, Canada	-	-	-	-	-	-	43,306	6	-	-	-	-	-	-	-	-	43,312
Other Countries	-	-	-	-	-	9,252	67,274	760	998	8	1,273	-	-	-	-	-	79,565
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	615	-	-	-	327,926	7,442,957	2,316,147	62,711	-	21,688	-	-	-	-	275,811	10,447,855
Total	372,085	75,762	-	-	-	1,763,693	26,715,389	16,883,123	4,912,429	461,867	7,599,808	-	-	-	-	933,987	59,718,143

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

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

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

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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

Profile of significant exposures in major regions: (continued)

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

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

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

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

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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

Risk profile by Sectors or Counterparties:

Current Period	Exposure Categories (**)														Others	TL(*)	FC	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail property	Conditional and unconditional exposures secured by real estate	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates					Exposures in the form of collective investment undertakings
Agriculture	-	-	-	-	-	-	965,005	1,111,462	296,598	30,488	1,127	-	-	-	-	-	2,240,733	163,947	2,404,680
Farming and Stockbreeding	-	-	-	-	-	-	943,809	1,095,028	292,725	30,373	1,095	-	-	-	-	-	2,199,380	163,650	2,363,030
Forestry	-	-	-	-	-	-	4,551	1,803	-	22	-	-	-	-	-	-	6,376	-	6,376
Fishery	-	-	-	-	-	-	16,645	14,631	3,873	93	32	-	-	-	-	-	34,977	297	35,274
Manufacturing	-	1	-	-	-	-	10,675,961	3,524,531	489,074	88,710	11,740	-	-	-	-	608	8,273,508	6,517,117	14,790,625
Mining and Quarrying	-	-	-	-	-	-	776,760	273,508	37,117	6,860	556	-	-	-	-	-	605,197	489,604	1,094,801
Production	-	1	-	-	-	-	9,618,881	3,232,661	450,531	81,324	11,141	-	-	-	608	7,530,044	5,865,103	13,395,147	
Electricity, Gas and Water	-	-	-	-	-	-	280,320	18,362	1,426	526	43	-	-	-	-	-	138,267	162,410	300,677
Construction	-	-	-	-	-	-	2,963,999	1,098,875	368,552	45,603	5,176	-	-	-	-	-	2,976,247	1,505,958	4,482,205
Services	372,085	75,761	-	-	-	1,763,693	11,564,365	6,074,906	1,186,141	123,163	18,170	-	-	-	908,581	15,048,612	7,038,253	22,086,865	
Wholesale and Retail Trade	-	10,498	-	-	-	-	6,088,653	3,415,008	519,226	63,301	11,496	-	-	-	594	7,753,724	2,355,052	10,108,776	
Accommodation and Dining	-	-	-	-	-	-	861,191	311,210	198,029	7,530	991	-	-	-	-	667,344	711,607	1,378,951	
Transportation and Telecom.	-	-	-	-	-	-	1,750,646	1,168,199	167,562	29,194	2,222	-	-	-	5	2,330,357	787,471	3,117,828	
Financial Institutions	372,085	-	-	-	-	1,763,693	566,103	40,520	4,102	316	760	-	-	-	907,963	2,214,519	1,441,023	3,655,542	
Real Estate and Rental Services	-	1	-	-	-	-	1,583,189	776,926	233,774	15,226	1,626	-	-	-	-	1,053,855	1,556,887	2,610,742	
Self-Employment Services	-	500	-	-	-	-	587,982	255,328	40,449	6,007	732	-	-	-	19	712,643	178,374	891,017	
Educational Services	-	1	-	-	-	-	13,721	44,120	9,942	482	118	-	-	-	-	64,933	3,451	68,384	
Health and Social Services	-	64,761	-	-	-	-	112,880	63,595	13,057	1,107	225	-	-	-	-	251,237	4,388	255,625	
Other	-	-	-	-	-	-	546,059	5,073,349	2,572,064	173,903	7,563,595	-	-	-	-	24,798	15,456,337	497,431	15,953,768
Total	372,085	75,762	-	-	-	1,763,693	26,715,389	16,883,123	4,912,429	461,867	7,599,808	-	-	-	933,987	43,995,437	15,722,706	59,718,143	

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

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

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

Risk profile by Sectors or Counterparties: (continued)

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

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

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

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

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term To Maturity				
	Up to 1Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
Exposure Categories					
Conditional and unconditional exposures to central governments or central banks	136,626	-	-	-	14,228
Conditional and unconditional exposures to regional governments or local authorities	102	119	732	3,035	71,158
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	782,359	81,237	67,995	68,398	151,140
Conditional and unconditional exposures to corporates	6,226,082	1,578,428	1,546,206	3,348,655	6,568,312
Conditional and unconditional retail exposures	5,914,084	1,151,300	865,295	1,535,714	5,094,783
Conditional and unconditional exposures secured by real estate property	724,526	85,415	112,591	236,030	3,690,822
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	-	-	76,929	7,501,192
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	90,691	195	863	-	15,680
Total	13,874,470	2,896,694	2,593,682	5,268,761	23,107,315

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

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

Information about the risk exposure categories:

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

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

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

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

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before											
Credit Risk Mitigation	16,544,776	-	2,904,542	11,083,234	21,923,946	29,193,555	1,839,789	2,484,779	91,943	-	559,529
Exposures after											
Credit Risk Mitigation	16,874,290	-	2,867,390	11,149,439	21,279,494	27,899,181	1,821,801	2,484,779	91,943	-	559,529

Prior Period

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

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

Informations in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	63,650	118,218	581	37,199
Farming and Stockbreeding	54,831	110,074	541	32,392
Forestry	8,370	5,591	27	4,407
Fishery	449	2,553	13	400
Manufacturing	379,610	499,995	2,455	282,956
Mining and Quarrying	16,258	24,158	119	10,652
Production	362,642	475,768	2,336	271,932
Electricity, Gas and Water	710	69	-	372
Construction	118,695	110,997	545	78,586
Services	293,091	425,427	2,089	204,827
Wholesale and Retail Trade	118,736	135,909	667	83,865
Accommodation and Dining	15,795	43,542	214	8,867
Transportation and Telecom.	100,537	119,396	586	73,984
Financial Institutions	965	2,105	10	676
Real Estate and Rental Services	35,085	89,413	439	21,916
Professional Services	15,454	24,801	122	10,753
Educational Services	1,279	2,416	12	885
Health and Social Services	5,240	7,845	39	3,881
Other	377,481	1,149,659	5,646	225,779
Total	1,232,527	2,304,296	11,316	829,347

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

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

Information about Value Adjustment and Change in Provisions

	31.12.2014 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments(*)	31.12.2015 Balance
Specific Provisions	803,008	809,147	(171,439)	(521,233)	(90,136)	829,347
General Provisions	621,294	99,596	(14,165)	-	(7,627)	699,098

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

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

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

III. Explanations Related to the Consolidated Market Risk

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

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

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

a) i) Information Related to Market Risk:

	Consolidated	Parent Bank
(I) Capital Requirement to be Employed For General Market Risk – Standard Method	14,602	14,602
(II) Capital Requirement to be Employed For Specific Risk – Standard Method	900	900
Capital requirement against Specific Risks of Securitization Positions – Standard Method	-	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	10,959	10,799
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-	-
(V) Capital Requirement to be Employed For Settlement Risk – Standard Method	-	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options – Standard Method	918	918
(VII) Capital requirement against Counterparty Credit Risks – Standard Method	38,178	38,178
(VIII) Total Capital Requirement to be Employed For Market Risk	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	65,557	65,397
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	819,463	817,463

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III. Explanations Related to the Consolidated 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	22,456	28,765	15,502	20,796	25,017	16,766
Common Stock Risk	-	-	-	-	-	-
Currency Risk	23,868	40,941	2,202	23,024	30,941	6,681
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Counterparty Credit Risk	1,157	1,472	800	851	1,131	525
Option Risk	48,774	63,591	38,178	35,252	56,594	28,126
Total Value Subject to Risk (*)	1,203,194	1,534,050	819,463	999,034	1,327,771	709,975

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

b) Information on Counterparty Credit Risk:

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

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

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

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

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

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

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

b) Information on Counterparty Credit Risk: (continued)

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

Quantitative Information on Counterparty Risk:

	Trading Book	Banking Book	Total
Agreement Based on Interest Rate	6,961	11,794	18,755
Agreement Based on Foreign Exchange Currency	329,177	121,029	450,206
Agreement Based on Commodity	-	-	-
Agreement Based on Marketable Securities	-	-	-
Other	-	-	-
Gross Positive Fair Value	407,276	145,019	552,295
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	743,414	277,842	1,021,256

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

IV. Explanations Related to the Consolidated Operational Risk

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

b) In case of application of the standard method:

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
GROSS Income	2,510,493	2,835,960	3,303,079	2,883,177	15	432,477
Amount subject to Operational Risk (Total*12,5)						5,405,958

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

c) The Group does not use the standard method

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

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V. Explanations Related to the Consolidated Currency Risk

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

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

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

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

As of 31 December 2015, the Group’s short position is TL6,303,503 (31 December 2014: TL4,567,111 short position) off-balance sheet long position is TL6,888,848 (31 December 2014: TL4,032,889 long position) and as a result net foreign currency long position is TL585,345 (31 December 2014: net TL534,222 short position).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2015 and the previous five working days in full TL are as follows:

	24.12.2015	25.12.2015	28.12.2015	29.12.2015	30.12.2015	31.12.2015
USD	2.9098	2.9079	2.9043	2.9019	2.9132	2.9021
JPY	0.0242	0.0240	0.0241	0.0241	0.0242	0.0241
EURO	3.1874	3.1783	3.1872	3.1744	3.1821	3.1572

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2015 are as follows:

	Monthly Average Foreign Exchange Rate
USD	2.9122
JPY	0.0239
EURO	3.1746

Foreign currency sensitivity:

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

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity (*)	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		USD	10 increase	3,722	11,166
USD	10 decrease	(3,722)	(11,166)	52	(2)
EURO	10 increase	2,679	(995)	6,005	1
EURO	10 decrease	(2,679)	995	(6,005)	(1)

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

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

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

Information on the foreign currency risk of the Group:

The table below shows the Group’s distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Group also monitors the delta-adjusted position of the option transactions. As of 31 December 2015, the Parent Bank has net TL15,872 USD long position and net TL39,394 EUR long position.

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	2,038,069	5,509,886	1,165,666	8,713,621
Banks	133,349	388,131	194,924	716,404
Financial Assets at Fair Value Through Profit and Loss (*****)	13,390	9,049	-	22,439
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	75,331	16,093	7,449	98,873
Loans (**)	6,325,306	4,895,712	1,248,177	12,469,195
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	804,272	136,277	28,348	968,897
Total Assets	9,389,717	10,955,148	2,644,564	22,989,429
Liabilities				
Bank Deposits	166	94	6,774	7,034
Foreign Currency Deposits (*)	4,578,499	10,139,954	1,036,731	15,755,184
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	6,482,991	4,604,106	1,928,353	13,015,450
Marketable Securities Issued	-	86,553	-	86,553
Sundry Creditors	168,698	80,068	43,937	292,703
Derivative Financial Liabilities for Hedging Purposes	-	677	-	677
Other Liabilities (**)	17,276	117,008	1,047	135,331
Total Liabilities	11,247,630	15,028,460	3,016,842	29,292,932
Net Balance Sheet Position	(1,857,913)	(4,073,312)	(372,278)	(6,303,503)
Net Off-Balance Sheet Position	2,371,886	4,088,485	428,477	6,888,848
Financial Derivative Assets (*****)	7,641,536	17,261,527	844,456	25,747,519
Financial Derivative Liabilities (*****)	5,269,650	13,173,042	415,979	18,858,671
Non-Cash Loans (*****)	3,345,601	4,663,116	214,521	8,223,238
Prior Period				
Total Assets	7,088,440	11,248,244	1,894,471	20,231,155
Total Liabilities	10,450,188	12,145,450	2,202,628	24,798,266
Net Balance Sheet Position	(3,361,748)	(897,206)	(308,157)	(4,567,111)
Net Off-Balance Sheet Position	3,394,046	430,800	208,043	4,032,889
Financial Derivative Assets	8,145,626	14,293,467	1,030,272	23,469,365
Financial Derivative Liabilities	4,751,580	13,862,667	822,229	19,436,476
Non-Cash Loans (*****)	2,613,474	3,936,175	140,526	6,690,175

(*) Precious metal accounts amounting to TL445,509 (31 December 2014: TL477,622) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,769,548 (31 December 2014: TL2,641,281) are included in the loan portfolio.

(***) TL43,800 (31 December 2014: TL59,584) foreign currency indexed factoring receivables is included in other assets, while TL45,264 (31 December 2014: TL107,973) expense accruals from derivative financial instruments, and TL10,443 provision for general loan losses as of 31 December 2014 are deducted from other liabilities (31 December 2015: None). TL314 (31 December 2014: TL506) foreign currency indexed factoring payables is included in the other liabilities. Foreign currency indexed liabilities are included in funds provided from other financial institutions.

(****) Forward asset and marketable securities purchase-sale commitments of TL654,815 (31 December 2014: TL472,776) are added to derivative financial assets and TL564,464 (31 December 2014: TL432,243) has been added to derivative financial liabilities.

(*****) TL78,194 (31 December 2014: TL66,674) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

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

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VI. Explanations Related to Consolidated Interest Rate Risk

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

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

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,254,065	-	-	-	-	1,661,863	9,915,928
Banks	948,524	37	-	-	-	388,891	1,337,452
Financial Assets at Fair Value Through Profit and Loss	1,785	19,725	91,395	150,949	23,029	413,062	699,945
Money Market Placements	206	-	-	-	-	-	206
Available-For-Sale Financial Assets	413,754	781,833	1,789,707	977,744	70,892	96,694	4,130,624
Loans and Receivables (*)	15,844,396	3,051,500	8,798,330	18,635,638	6,555,149	414,089	53,299,102
Factoring Receivables	512,887	514,329	168,895	-	-	12,212	1,208,323
Held-To-Maturity Investments	33,980	93,973	211,464	-	-	-	339,417
Other Assets	2,586	-	39,748	18,560	-	2,220,597	2,281,491
Total Assets	26,012,183	4,461,397	11,099,539	19,782,891	6,649,070	5,207,408	73,212,488
Liabilities							
Bank Deposits	107,735	5,744	-	-	-	1,078	114,557
Other Deposits	27,955,055	8,752,579	565,888	10,215	14	6,979,324	44,263,075
Money Market Borrowings	2,413,098	-	-	-	-	-	2,413,098
Sundry Creditors	-	-	-	-	-	1,295,983	1,295,983
Marketable Securities Issued	193,517	77,146	-	-	-	-	270,663
Funds Provided From Other Financial Institutions	3,090,053	3,319,944	7,740,870	90,865	433,597	-	14,675,329
Factoring Payables	-	-	-	-	-	15,356	15,356
Other Liabilities	6,866	46,392	43,537	69,180	3,029	9,995,423	10,164,427
Total Liabilities	33,766,324	12,201,805	8,350,295	170,260	436,640	18,287,164	73,212,488
Balance Sheet Long Position	-	-	2,749,244	19,612,631	6,212,430	-	28,574,305
Balance Sheet Short Position	(7,754,141)	(7,740,408)	-	-	-	(13,079,756)	(28,574,305)
Off-Balance Sheet Long Position	6,910,210	-	-	-	-	-	6,910,210
Off-Balance Sheet Short Position	-	(137,238)	(4,204,032)	(2,464,456)	-	-	(6,805,726)
Total Position	(843,931)	(7,877,646)	(1,454,788)	17,148,175	6,212,430	(13,079,756)	104,484

(*) Revolving loans amounting to TL8,779,628 are included in “Up to 1 Month” while mark to market differences from terminated hedged loans amounting to TL282, TL846 and TL785 are included in “Up to 1 Month”, “1-3 Months” and “3-12 Months” respectively.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL285,508, intangible assets amounting to TL473,474, assets held for resale amounting to TL71,874, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL7,021,507.

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VI. Explanations Related to Consolidated 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	-	532,270	-	-	-	7,934,659	8,466,929
Banks	792,752	8,540	8,317	-	-	195,540	1,005,149
Financial Assets at Fair Value Through Profit and Loss	46,909	24,359	56,716	63,864	67,510	428,378	687,736
Money Market Placements	550,207	-	-	-	-	-	550,207
Available-For-Sale Financial Assets	581,136	1,011,391	1,739,495	1,065,431	69,687	21,131	4,488,271
Loans and receivables (*)	13,780,022	3,111,131	7,483,882	16,640,941	5,055,750	437,462	46,509,188
Factoring Receivables	689,041	372,816	264,141	-	-	6,924	1,332,922
Held-To-Maturity Investments	31,583	87,344	198,433	-	-	-	317,360
Other Assets	838	-	10,370	50,383	48	2,272,461	2,334,100
Total Assets	16,472,488	5,147,851	9,761,354	17,820,619	5,192,995	11,296,555	65,691,862
Liabilities							
Bank Deposits	725,475	603,921	2,122	-	-	40,299	1,371,817
Other Deposits	28,310,143	4,880,585	280,179	131,174	683	5,456,469	39,059,233
Money Market Borrowings	1,796,098	-	-	-	-	-	1,796,098
Sundry Creditors	-	-	-	-	-	1,134,903	1,134,903
Marketable Securities Issued	165,887	262,196	563,500	-	-	-	991,583
Funds Provided From Other Financial Institutions	3,416,171	4,983,523	3,494,009	145,006	112,671	-	12,151,380
Factoring Payables	-	-	-	-	-	7,832	7,832
Other Liabilities	11,608	2,721	48,229	332,145	9,294	8,775,019	9,179,016
Total Liabilities	34,425,382	10,732,946	4,388,039	608,325	122,648	15,414,522	65,691,862
Balance Sheet Long Position	-	-	5,373,315	17,212,294	5,070,347	-	27,655,956
Balance Sheet Short Position	(17,952,894)	(5,585,095)	-	-	-	(4,117,967)	(27,655,956)
Off-Balance Sheet Long Position	5,377,361	1,186,195	-	-	-	-	6,563,556
Off-Balance Sheet Short Position	-	-	(1,364,462)	(5,084,500)	(26,250)	-	(6,475,212)
Total Position	(12,575,533)	(4,398,900)	4,008,853	12,127,794	5,044,097	(4,117,967)	88,344

(*) 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 TL326,119, intangible assets amounting to TL477,707, assets held for resale amounting to TL79,466, entities under common control (joint vent.) amounting to TL5, and the other liabilities line includes the shareholders’ equity of TL6,194,560.

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

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	-	0.49	-	1.81
Banks	0.25	0.13	-	10.89
Financial Assets at Fair Value Through Profit and Loss	1.84	4.69	-	10.56
Money Market Placements	-	-	-	9.67
Available-For-Sale Financial Assets	2.44	4.97	-	10.60
Loans	3.26	3.66	2.57	14.08
Factoring Receivables	1.36	1.97	-	15.06
Held-To-Maturity Investments	-	-	-	11.22
Liabilities				
Bank Deposits	0.10	-	-	4.32
Other Deposits	1.28	1.86	1.30	11.73
Money Market Borrowings	-	-	-	7.53
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.50	-	10.68
Funds Provided From Other Financial Institutions	1.03	1.86	1.00	11.22
	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	-	-	-	1.51
Banks	0.11	0.22	-	10.89
Financial Assets at Fair Value Through Profit and Loss	1.13	3.64	-	8.41
Money Market Placements	-	-	-	11.24
Available-For-Sale Financial Assets	1.09	3.72	-	9.44
Loans	3.43	3.71	2.94	12.88
Factoring Receivables	1.89	2.36	-	11.76
Held-To-Maturity Investments	-	-	-	12.58
Liabilities				
Bank Deposits	0.28	0.54	-	4.66
Other Deposits	1.31	1.92	1.75	9.91
Money Market Borrowings	-	-	-	8.36
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.16	-	9.10
Funds Provided From Other Financial Institutions	1.08	1.60	2.23	9.80

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 the Parent Bank’s account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issued products in calculation of interest rate sensitivity.

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

Interest rate risk on banking accounts: (continued)

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

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity– (Losses)/Equity
TL	(400)	1,024,759	11.72%
TL	500	(1,093,467)	(12.51)%
EURO	(200)	223,439	2.56%
EURO	200	(193,087)	(2.21)%
USD	(200)	57,422	0.66%
USD	200	(49,006)	(0.56)%
Total (of negative shocks)	(800)	1,305,620	14.94%
Total (of positive shocks)	900	(1,335,560)	(15.28)%

Equity share position risk in banking accounts

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

VII. Explanations on Consolidated Liquidity Risk

- a) Information on liquidity risk management, such as the Parent Bank's risk capacity, responsibilities and the structure of liquidity risk management, Parent Bank’s internal reporting of the liquidity risk and communication of liquidity risk strategy, policy, and practises to the Board of Directors and business lines:

The Asset-Liability Management and Treasury Group is responsible for following up the Parent Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group uses authorised products to provide sufficient liquidity based on liquidity position:

Responsibilities for liquidity management are described in the *Liquidity Risk Policy* which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks, and at a Liquidity Risk Committee meeting which is held monthly

- b) Information on the centralisation degree of liquidity management and funding strategy and on operations between the Parent Bank and its partnerships:

The Assets-Liabilities Committee and the Treasury Group manage the Parent Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity, and we provide them borrowing facilities within market conditions and legal limits.

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

- c) Information about the Parent Bank's funding strategy including policies on diversification of its sources and tenor of funding:

While the Parent Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Parent Bank uses instruments such as long-term syndicated loans, securities issued in TL, and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

Excluding TL, USD, and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the general manager, assistant general manager in charge of Financial Control Group, Group Risk Chief Officer, and the assistant general manager in charge of the Assets-Liabilities Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Information on liquidity risk mitigation techniques:

The Parent Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Parent Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Parent Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term.

- f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyze how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Parent Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

- Whether the liquidity problem is specific to the Parent bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

g) General information on liquidity emergency and contingency plans: (continued)

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Assets-Liabilities Management and Treasury Group, the Assets-Liabilities Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

Liquidity Coverage Ratio

Current Period	Total value to which the consideration ratio is not applied(*)		Total value to which the consideration ratio is applied(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			9,930,169	6,669,539
Cash Outflows				
Real person and retail deposits	27,338,820	11,105,780	2,249,572	1,009,564
Stable deposits	9,686,200	2,020,280	484,310	101,014
Less stable deposits	17,652,620	9,085,500	1,765,262	908,550
Unsecured debts other than real person and retail deposits	22,288,915	7,780,739	10,748,377	3,841,213
Operational deposits	3,777,468	2,167,188	944,367	541,797
Non-operational deposits	16,584,429	5,551,835	7,876,992	3,237,700
Other unsecured debts	1,927,018	61,716	1,927,018	61,716
Secured debts			-	-
Other cash outflows	11,328,317	6,606,182	11,328,317	6,606,182
Derivative liabilities and collateral completion Liabilities	11,328,317	6,606,182	11,328,317	6,606,182
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	-	-	-	-
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	26,124,548	8,214,470	1,969,816	722,716
Total Cash Outflows			26,296,082	12,179,674
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	6,261,350	2,695,541	3,980,247	2,008,209
Other cash inflows	10,807,103	8,926,090	10,807,103	8,926,090
Total Cash Inflows	17,068,453	11,621,631	14,787,350	10,934,299
			Values to which the upper limit is applied	
Total High Quality Liquid Assets Inventory			9,930,169	6,669,539
Total Net Cash Outflows			11,508,732	3,044,919
Liquidity Coverage Ratio (%)			86.28	219.04

(*) Simple arithmetic average of the last 3 months data calculated by using monthly simple arithmetic averages.

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Liquidity Coverage Ratio (continued)

In accordance with the new regulation effective from 28 September 2015, all of the corporate deposits are included in the “Liquidity Coverage Ratio” calculation. Only the corporate deposits with a maturity up to 30 days or less were considered on previous calculations. Related changes effected the ratio negatively, but if the prior calculation methodology has been applied average rate in the last 3 months would be reported as 101.87% and 224.76% with an increase of 15.59% and 5.72% respectively for total and foreign currency.

Prior Period	Total value to which the consideration ratio is not applied(*)		Total value to which the consideration ratio is applied(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			11,869,109	6,259,747
Cash Outflows				
Real person and retail deposits	25,556,960	9,429,550	2,249,813	884,813
Stable deposits	6,117,660	1,162,840	305,883	58,142
Less stable deposits	19,439,300	8,266,710	1,943,930	826,671
Unsecured debts other than real person and retail deposits	16,151,897	6,302,212	9,342,176	3,739,765
Operational deposits	2,899,092	1,463,996	724,773	365,999
Non-operational deposits	10,923,015	4,744,227	6,287,613	3,279,777
Other unsecured debts	2,284,790	93,989	2,284,790	93,989
Secured debts			45,000	-
Other cash outflows	14,654,781	8,601,611	14,654,781	8,601,611
Derivative liabilities and warranty completion liabilities	14,654,781	8,601,611	14,654,781	8,601,611
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	-	-	-	-
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	22,834,145	6,572,505	1,740,089	627,273
Total Cash Outflows			27,941,859	13,853,462
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4,876,511	1,422,460	2,829,280	870,179
Other cash inflows	14,468,523	12,373,011	14,468,523	12,373,011
Total Cash Inflows	19,345,034	13,795,471	17,297,803	13,243,190
			Values to which the upper limit is applied	
Total High Quality Liquid Assets Inventory			11,869,109	6,259,747
Total Net Cash Outflows			10,689,056	3,463,366
Liquidity Coverage Ratio (%)			111.04	180.74

(*) Simple arithmetic average of the last 3 months data calculated by using monthly simple arithmetic averages.

Information on liquidity coverage ratio:

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Liquidity Coverage Ratio (continued)

High quality liquid assets in order of their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

Liquidity management of consolidated subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a consolidated basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section 2 of communiqué.

Consolidated Liquidity Coverage Ratio for the last three months are presented below:

	Current Period	
	TL+FC	FC
October 2015	91.60	211.19
November 2015	87.55	213.50
December 2015	81.85	234.11

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

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	1,661,863	8,254,065	-	-	-	-	-	9,915,928
Banks	388,891	948,524	37	-	-	-	-	1,337,452
Financial Assets at Fair Value Through Profit and Loss	-	78,064	83,203	242,297	252,450	43,931	-	699,945
Money Market Placements	-	206	-	-	-	-	-	206
Available-For-Sale Financial Assets	96,694	83,014	183,233	1,278,002	1,957,868	531,813	-	4,130,624
Loans (**)	-	15,823,604	2,918,770	8,756,184	18,830,796	6,566,568	403,180	53,299,102
Factoring Receivables	-	512,887	514,329	168,895	-	-	12,212	1,208,323
Held-To-Maturity Investments	-	-	-	-	211,464	127,953	-	339,417
Other Assets	-	4,115	507	40,611	18,586	-	2,217,672	2,281,491
Total Assets	2,147,448	25,704,479	3,700,079	10,485,989	21,271,164	7,270,265	2,633,064	73,212,488
Liabilities								
Bank Deposits	1,078	107,735	5,744	-	-	-	-	114,557
Other Deposits	6,979,324	27,955,055	8,752,579	565,888	10,215	14	-	44,263,075
Funds Provided From Other Financial Institutions	-	2,767,654	3,078,662	6,454,408	618,764	1,755,841	-	14,675,329
Money Market Borrowings	-	2,413,098	-	-	-	-	-	2,413,098
Marketable Securities Issued	-	193,517	77,146	-	-	-	-	270,663
Sundry Creditors	3,262	1,287,992	88	48	-	-	4,593	1,295,983
Factoring Payables	-	15,356	-	-	-	-	-	15,356
Other Liabilities	-	1,442,739	198,078	208,962	129,357	4,106	8,181,185	10,164,427
Total Liabilities	6,983,664	36,183,146	12,112,297	7,229,306	758,336	1,759,961	8,185,778	73,212,488
Liquidity Gap	(4,836,216)	(10,478,667)	(8,412,218)	3,256,683	20,512,828	5,510,304	(5,552,714)	-
Net Off-Balance Sheet Position	-	(64,709)	(65,485)	76,034	57,294	3,941	-	7,075
Financial Derivative Assets	-	10,299,489	8,555,776	13,722,793	6,845,046	603,145	-	40,026,249
Financial Derivative Liabilities	-	10,364,198	8,621,261	13,646,759	6,787,752	599,204	-	40,019,174
Non-Cash Loans	4,663,871	769,946	1,278,432	4,287,456	3,499,116	-	-	14,498,821
Prior Period								
Total Assets	2,366,123	22,404,283	3,962,471	9,177,887	18,758,779	6,341,590	2,680,729	65,691,862
Total Liabilities	5,977,963	35,553,779	9,818,897	4,614,502	975,146	1,556,008	7,195,567	65,691,862
Liquidity Gap	(3,611,840)	(13,149,496)	(5,856,426)	4,563,385	17,783,633	4,785,582	(4,514,838)	-
Net Off-Balance Sheet Position	-	6,240	50,704	104,218	12,364	171	-	173,697
Financial Derivative Assets	-	11,391,478	6,328,794	10,367,312	9,032,603	290,979	-	37,411,166
Financial Derivative Liabilities	-	11,385,238	6,278,090	10,263,094	9,020,239	290,808	-	37,237,469
Non-Cash Loans	4,337,787	678,733	1,089,193	3,547,423	2,446,499	-	-	12,099,635

(*) 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 TL8,779,628 are included in "Up to 1 Month" while mark to market differences from terminated hedged loans amounting to TL282, TL846 and TL785 are included in "Up to 1 Month", "1-3 Months" and "3-12 Months" respectively. (31 December 2014: TL6,077 are included in "1-5 Year".)

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years and Over	5 Years and Over	Adjustments	Total
As of 31 December 2015,								
Money Market Borrowings	-	2,415,925	-	-	-	-	(2,827)	2,413,098
Deposit	6,979,324	28,035,778	8,866,609	581,856	10,721	16	(211,229)	44,263,075
Bank Deposit	1,078	107,788	5,765	-	-	-	(74)	114,557
Funds provided from other financial institutions	-	2,838,179	3,104,129	6,759,002	938,462	2,018,428	(982,871)	14,675,329
Total	6,980,402	33,397,670	11,976,503	7,340,858	949,183	2,018,444	(1,197,001)	61,466,059
As of 31 December 2014,								
Money Market Borrowings	-	1,797,283	-	-	-	-	(1,185)	1,796,098
Deposit	5,932,632	27,912,117	4,929,278	285,773	138,130	928	(139,625)	39,059,233
Bank Deposit	40,299	725,679	604,257	2,202	-	-	(620)	1,371,817
Funds provided from other financial institutions	-	2,763,915	3,999,797	3,509,075	735,781	1,797,708	(654,896)	12,151,380
Total	5,972,931	33,198,994	9,533,332	3,797,050	873,911	1,798,636	(796,326)	54,378,528

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

	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Total
As of 31 December 2015,						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	87,433	2,329,741	972,135	1,419,073	-	4,808,382
Held for trading transactions						
Foreign exchange forward contracts-sell	996,674	1,314,266	1,735,437	867,762	22,292	4,936,431
Currency swaps-sell	7,591,172	4,399,786	4,486,456	2,322,577	369,507	19,169,498
Interest rate swaps-sell	3,266	6,583	22,581	12,910	1,801	47,141
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	1,693,752	1,832,303	2,975,503	66,555	-	6,568,113
Total	10,372,297	9,882,679	10,192,112	4,688,877	393,600	35,529,565
As of 31 December 2014,						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	14,542	452,124	225,274	-	691,940
Cash flow hedge	23,264	99,107	365,013	543,056	68	1,030,508
Held for trading transactions						
Foreign exchange forward contracts-sell	1,017,883	1,010,757	1,238,720	761,673	34,250	4,063,283
Currency swaps-sell	7,736,262	2,913,414	3,504,691	2,240,117	117,201	16,511,685
Interest rate swaps-sell	1,226	7,676	156,261	75,159	669	240,991
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,604,407	1,993,953	4,179,510	12,714	-	8,790,584
Total	11,383,042	6,039,449	9,896,319	3,857,993	152,188	31,328,991

Table above shows cash outflows of derivative instruments.

Securitization positions:

The Group does not apply securitization as of 31 December 2015 (31 December 2014: None).

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Credit Risk Mitigation Techniques:

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

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

- b) Applications regarding valuation and management of collaterals:

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

- c) Types of collaterals received:

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

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

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

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

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

- f) Collaterals in terms of Risk Categories:

Current Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	372,085	-	-	-
Conditional and unconditional receivables from regional or local governments	68,332	37,336	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,767,211	86,072	-	-
Conditional and unconditional corporate receivables	25,472,436	1,224,233	-	-
Conditional and unconditional retail receivables	16,392,312	466,671	-	-
Conditional and unconditional secured mortgage Receivables	4,912,427	-	-	-
Past due receivables	420,519	382	-	-
Receivables in high risk category defined by BRSA	7,599,809	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	933,987	-	-	-
Total	57,939,118	1,814,694	-	-

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Credit Risk Mitigation Techniques: (continued)

Prior Period

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

Risk management objectives and policies

a) Strategies and practices on risk management:

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

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

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

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

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

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Risk management objectives and policies (continued)

b) Risk management system’s structure and organization:

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

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

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

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

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

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

i. Credit Risk

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

ii. Market Risk

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

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

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Risk management objectives and policies (continued)

c) Risk reporting and measurement systems’ scope and qualification: (continued)

ii. Market Risk (continued)

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

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

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

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

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

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

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

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

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

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

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

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

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

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VII. Explanations Related to Consolidated Liquidity Risk (continued)

Information on the leverage ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

In 2015, there is an increase in cash and non-cash loan portfolio, due from banks and reserve deposit accounts. There is no significant change in leverage ratio since core capital got stronger. The increase in the asset size has been offset by retaining the profit for the period within the bank.

b) Summary comparison table of the total risk amount and the total asset amount in the financial statements prepared as per TAS:

	Prior Period(**)	Current Period(**)
Total asset amount in the consolidated financial statements prepared as per TAS(*)	64,587,747	74,393,093
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the <i>Communiqué on the Preparation of the Consolidated Financial Statements of Banks</i>	443,937	505,032
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the <i>Communiqué on the Preparation of the Consolidated Financial Statements of Banks</i> and the risk amounts	449,836	490,775
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the <i>Communiqué on the Preparation of the Consolidated Financial Statements of Banks</i> and the risk amounts	-	-
The difference between the off-the-balance sheet transactions amount in the consolidated financial statements prepared as per the <i>Communiqué on the Preparation of the Consolidated Financial Statements of Banks</i> and the risk amounts	26,623,643	28,719,146
Other differences between the amount in the consolidated financial statements prepared as per the <i>Communiqué on the Preparation of the Consolidated Financial Statements of Banks</i> and the risk amounts	(535,903)	(535,087)
Total risk amount	91,569,260	103,572,959

(*) Consolidated financial statements prepared as per the sixth paragraph of Article 5 of the *Communiqué on the Preparation of the Consolidated Financial Statements of Banks*.

(**) The quarterly average of the amounts in the table is calculated.

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VII. Explanations Related to Consolidated Liquidity (continued)

Information on the leverage ratio (continued)

c) Leverage Ratio:

	Prior Period(*)	Current Period(*)
Assets On the Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	64,544,839	74,287,673
(Assets deducted from core capital)	(535,903)	(535,087)
Total risk amount for assets on the balance sheet	64,008,936	73,752,586
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	486,845	610,452
Potential credit risk amount of derivative financial instruments and loan derivatives	449,836	490,775
Total risk amount of derivative financial instruments and loan derivatives	936,681	1,101,227
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	26,623,643	28,719,146
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	26,623,643	28,719,146
Capital and Total Risk		
Core capital	5,845,049	6,583,437
Total risk amount	91,569,260	103,572,959
Leverage Ratio		
Leverage ratio	6.38%	6.36%

(*) The quarterly average of the amounts in the table is calculated.

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	60,315,124	54,203,097	60,454,739	54,292,137
Money Market Placements	206	550,207	206	550,207
Banks	1,337,452	1,005,149	1,337,452	1,005,149
Available-For-Sale Financial Assets	4,130,624	4,488,271	4,130,624	4,488,271
Held-To-Maturity Investments	339,417	317,360	344,096	341,671
Loans(**)	54,507,425	47,842,110	54,642,361	47,906,839
Financial Liabilities	63,032,705	56,505,014	63,254,472	56,490,894
Bank Deposit	114,557	1,371,817	114,557	1,371,888
Other Deposit	44,263,075	39,059,233	44,484,842	39,064,041
Funds Borrowed From Other Financial (*)	17,088,427	13,947,478	17,088,427	13,947,489
Marketable Securities Issued	270,663	991,583	270,663	972,573
Sundry Creditors	1,295,983	1,134,903	1,295,983	1,134,903

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

(**) Factoring receivables are included in loans.

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

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

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

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

- Level 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.
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Financial Assets	4,230,120	571,290	75,043	4,876,453
Financial assets at fair value through profit and loss	205,828	494,117	-	699,945
<i>Public sector debt securities</i>	205,828	-	-	205,828
<i>Derivative financial assets held for trading</i>	-	494,117	-	494,117
Derivative financial assets for hedging purposes	-	58,309	-	58,309
Available-for-sale financial assets	4,024,292	18,864	75,043	4,118,199
<i>Public sector debt securities</i>	4,024,292	9,638	-	4,033,930
<i>Other available-for-sale financial assets(*)</i>	-	9,226	75,043	84,269
Financial Liabilities	-	678,613	-	678,613
Derivative financial liabilities held for trading	-	519,397	-	519,397
Derivative financial liabilities for hedging purposes	-	159,216	-	159,216
31 December 2014	Level 1	Level 2	Level 3	Total
Financial Assets	4,549,789	675,113	-	5,224,902
Financial assets at fair value through profit and loss	90,434	597,302	-	687,736
<i>Public sector debt securities</i>	90,434	-	-	90,434
<i>Derivative financial assets held for trading</i>	-	597,302	-	597,302
Derivative financial assets for hedging purposes	-	60,800	-	60,800
Available-for-sale financial assets	4,459,355	17,011	-	4,476,366
<i>Public sector debt securities</i>	4,392,990	7,785	-	4,400,775
<i>Other available-for-sale financial assets(*)</i>	66,365	9,226	-	75,591
Financial Liabilities	-	762,528	-	762,528
Derivative financial liabilities held for trading	-	448,658	-	448,658
Derivative financial liabilities for hedging purposes	-	313,870	-	313,870

(*) All unquoted share certificates of TL12,425 which are recorded at fair value and at cost since its fair value cannot be reliably estimated are not included. (31 December 2014: TL11,905).

There is no transition between the levels in the current year.

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

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

The Group does not deal with fiduciary transactions.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	371,908	399,615	329,518	437,126
Balances with the Central Bank of Turkey	830,399	8,254,065	532,270	7,134,100
Other	-	59,941	-	33,915
Total	1,202,307	8,713,621	861,788	7,605,141

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	830,399	-	532,270	-
Unrestricted time deposit	-	935,820	-	661,489
Restricted time deposit	-	7,318,245	-	6,472,611
Total	830,399	8,254,065	532,270	7,134,100

Foreign currency unrestricted deposit amounting to TL935,820 (31 December 2014: TL661,489), foreign currency restricted deposit amounting to TL7,318,245 (31 December 2014: TL6,472,611) and unrestricted deposit balance amounting to TL830,399 (31 December 2014: TL532,270) comprises of reserve deposits. As of 31 December 2015, the Turkish lira required reserve ratios are determined to be within the range of 5%-11.50% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2014: 5%-11.50% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5%-25% (31 December 2014: 6%-13% for all foreign currency liabilities).

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 2014: 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 TL205,828 (31 December 2014: TL90,434).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	107,066	13,265	49,328	7,934
Swap Transactions	238,210	62,956	388,667	52,559
Futures Transactions	-	-	-	-
Options	59,215	13,405	73,940	24,874
Other	-	-	-	-
Total	404,491	89,626	511,935	85,367

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

3. Information on banks:

a) Information on banks :

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	586,753	281,689	545,021	59,573
Foreign	34,295	434,715	50,882	349,673
Branches and head office abroad	-	-	-	-
Total	621,048	716,404	595,903	409,246

b) Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	294,308	193,379	-	-
USA and Canada	23,878	94,122	-	-
OECD Countries(*)	8,638	4,832	-	-
Off-Shore Banking Regions	127,136	104,274	-	-
Other	15,050	3,948	-	-
Total	469,010	400,555	-	-

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	403,320	-	391,750	-
Other	-	-	-	-
Total	403,320	-	391,750	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	2,395,729	-	1,761,323	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	2,395,729	-	1,761,323	-

Net book value of debt securities and share certificates in unrestricted financial assets available-for-sale is TL1,331,575 (31 December 2014: TL2,335,198).

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

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,033,930	4,467,140
Quoted on a stock exchange	4,033,930	4,467,140
Not quoted	-	-
Share certificates	96,694	21,131
Quoted on a stock exchange	-	-
Not quoted	96,694	21,131
Impairment provision (-)	-	-
Total	4,130,624	4,488,271

All unquoted available for sale equities of the Group are recorded at fair value except for the investment of TL12,425 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2014: TL11,905).

5. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	1,255	300,347	64,387	175,997
Corporate shareholders	1,255	300,347	63,843	175,997
Real person shareholders	-	-	544	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	65,773	-	60,593	-
Total	67,028	300,347	124,980	175,997

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 (*)			
	Cash Loans	Loans and Other Receivables (Total)	Restructured or Rescheduled	Other	Loans and Other Receivables (Total)	Restructured or Rescheduled	Other
Non-specialized loans		50,591,626	360,314	-	2,304,296	660,837	-
Working Capital Loans		-	-	-	-	-	-
Export loans		4,741,079	11,382	-	37,885	6,982	-
Import loans		-	-	-	-	-	-
Loans given to financial sector		875,218	-	-	-	-	-
Consumer loans (**)		12,516,249	56,573	-	605,750	22,628	-
Credit cards		2,685,186	17,246	-	147,689	26,957	-
Other		29,773,894	275,113	-	1,512,972	604,270	-
Specialized loans		-	-	-	-	-	-
Other receivables		-	-	-	-	-	-
Total		50,591,626	360,314	-	2,304,296	660,837	-

(*) 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”.

(**) TL1,913 income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

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5. Information on loans: (continued)

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

Number of extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
1 or 2 times	355,395	659,056
3, 4 or 5 times	2,894	884
Over 5 times	2,025	897
Total	360,314	660,837

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up(*)
0-6 months	301,345	563,775
6-12 months	20,283	32,711
1-2 years	13,433	30,481
2-5 years	21,174	27,396
5 years and over	4,079	6,474
Total	360,314	660,837

(*) 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.

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Short-term loans and other receivables	21,915,804	136,694	804,785	164,845
Non-specialized loans	21,829,535	136,694	804,785	164,845
Specialized loans	-	-	-	-
Other Receivables	86,269	-	-	-
Medium and long-term loans and other receivables	28,675,822	223,620	1,499,511	495,992
Non-specialized loans	28,675,822	223,620	1,499,511	495,992
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	50,591,626	360,314	2,304,296	660,837

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

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

5. Information on loans: (continued)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	197,783	12,405,515	12,603,298
Housing Loans	5,060	7,778,827	7,783,887
Vehicle Loans	5,186	445,329	450,515
General Purpose Loans	187,537	4,181,359	4,368,896
Other	-	-	-
Consumer Loans –Indexed to FC	-	28,542	28,542
Housing Loans	-	27,266	27,266
Vehicle Loans	-	-	-
General Purpose Loans	-	1,276	1,276
Other	-	-	-
Consumer Loans-FC (**)	-	29,952	29,952
Housing Loans	-	8,386	8,386
Vehicle Loans	-	7,690	7,690
General Purpose Loans	-	13,876	13,876
Other	-	-	-
Individual Credit Cards-TL	1,848,888	-	1,848,888
With Installments	614,727	-	614,727
Without Installments	1,234,161	-	1,234,161
Individual Credit Cards-FC	7,984	-	7,984
With Installments	1,127	-	1,127
Without Installments	6,857	-	6,857
Personnel Loans-TL	5,004	31,855	36,859
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	5,004	31,855	36,859
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	23,634	-	23,634
With Installments	8,571	-	8,571
Without Installments	15,063	-	15,063
Personnel Credit Cards-FC	340	-	340
With Installments	60	-	60
Without Installments	280	-	280
Overdraft Accounts-TL(Real Persons) (*)	422,367	-	422,367
Overdraft Accounts-FC(Real Persons)	981	-	981
Total	2,506,981	12,495,864	15,002,845

(*) Overdraft accounts include personnel loans amounting to TL4,940.

(**) Loans granted via branches abroad.

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

5. Information on loans: (continued)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	586,202	8,402,979	8,989,181
Business Loans	1,441	351,968	353,409
Vehicle Loans	33,236	1,019,155	1,052,391
General Purpose Loans	551,525	7,031,856	7,583,381
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	23,115	605,748	628,863
Business Loans	-	23,844	23,844
Vehicle Loans	3,581	173,106	176,687
General Purpose Loans	19,534	408,798	428,332
Other	-	-	-
Commercial loans with installment facility –FC	14	-	14
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	14	-	14
Other	-	-	-
Corporate Credit Cards-TL	949,937	-	949,937
With Installments	258,678	-	258,678
Without Installments	691,259	-	691,259
Corporate Credit Cards-FC	2,092	-	2,092
With Installments	-	-	-
Without Installments	2,092	-	2,092
Overdraft Accounts-TL(Legal Entities)	1,326,467	-	1,326,467
Overdraft Accounts-FC(Legal Entities)	72	-	72
Total	2,887,899	9,008,727	11,896,626

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	492,540	533,265
Private sector	52,403,382	45,572,397
Total	52,895,922	46,105,662

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	52,285,880	45,433,238
Foreign Loans	610,042	672,424
Total	52,895,922	46,105,662

h) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	24,038	30,950
Loans and receivables with doubtful collectability	88,327	117,053
Uncollectible loans and receivables	716,982	655,005
Total	829,347	803,008

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

5. Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable 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	17,210	11,015	9,271
Prior 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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Prior period end balance	182,224	268,489	755,821
Additions (+)	1,092,554	29,860	18,059
Transfers from other categories of non-performing loans (+)	-	992,799	947,100
Transfers to other categories of non-performing loans (-) (**)	1,001,375	947,476	137
Collections (-) (***)	134,367	151,138	295,628
Write-offs (-) (*)	127	24	524,107
Corporate and commercial loans	-	-	153,587
Retail loans	125	22	239,530
Credit cards	2	2	130,990
Other	-	-	-
Current period end balance	138,909	192,510	901,108
Specific provision (-)	24,038	88,327	716,982
Net Balances on Balance Sheet	114,871	104,183	184,126

(*) Past due receivables portfolio amounting to TL250,007 for which TL249,854 provision and TL14,225 for which TL14,225 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. respectively for TL29,800 at 26 March 2015 and TL2,850 at 23 June 2015. Also, amounting to TL215,335 for which TL215,331 provision and TL41,823 for which TL41,823 provision had been allocated is sold to Final Varlık Yönetim A.Ş. respectively for TL27,310 at 27 October 2015 and TL7,511 at 29 December 2015. After completion of the necessary procedures and collection of the sale price, such past due receivables have been written off from the accounts.

(**) In compliance with the related communique, retail loans amounting to TL9,089 are classified from non-performing loan to performing loan.

(***) The disposed amount in the current period through the sale of “TEB NV” amounting to TL86,123 is presented under V. Group.

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

5. Information on loans: (continued)

j) Information on non-performing loans (Net): (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	Uncollectable loans and receivables
31 December 2015			
Current period end balance	245	572	25,012
Specific provision (-)	29	85	18,297
Net Balance on Balance Sheet	216	487	6,715
31 December 2014			
Prior period end balance	497	1,974	99,159
Specific provision (-)	49	328	95,122
Net Balance on Balance Sheet	448	1,646	4,037

The foreign currency loans in the table above are stated in TL in the financial statements of the Parent 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)	138,909	192,510	901,108
Specific provision (-)	24,038	88,327	716,982
Loans to Real Persons and Legal Entities (Net)	114,871	104,183	184,126
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)	182,224	268,489	755,821
Specific provision (-)	30,950	117,053	655,005
Loans to Real Persons and Legal Entities (Net)	151,274	151,436	100,816
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

5. Information on loans: (continued)

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

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

l) Explanations on write-off policy:

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

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	35,303,922	12,516,249	2,685,186	86,269	50,591,626
Past due not impaired	1,550,857	605,750	147,689	-	2,304,296
Individually impaired	364,590	721,976	145,961	-	1,232,527
Total	37,219,369	13,843,975	2,978,836	86,269	54,128,449
Specific Provision (-)	276,594	458,264	94,489	-	829,347
Total	276,594	458,264	94,489	-	829,347
Total allowance for impairment	36,942,775	13,385,711	2,884,347	86,269	53,299,102

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

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

5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

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

	Commercial	Consumer	Credit Cards	Total
1 January 2015	511,933	162,052	129,023	803,008
Change for the period	170,166	512,115	126,866	809,147
Recoveries	(75,725)	(64,987)	(30,727)	(171,439)
Amounts written-off(*)	(239,644)	(150,916)	(130,673)	(521,233)
Foreign Currency Differences	(20,110)	-	-	(20,110)
Due to sale of subsidiary	(70,026)	-	-	(70,026)
31 December 2015 Balance	276,594	458,264	94,489	829,347

	Commercial	Consumer	Credit Cards	Total
1 January 2014	396,758	99,643	102,440	598,841
Change for the period	271,406	144,957	101,859	518,222
Recoveries	(65,617)	(54,288)	(26,077)	(145,982)
Amounts written-off(**)	(97,018)	(28,260)	(49,199)	(174,477)
Foreign Currency Differences	6,404	-	-	6,404
31 December 2014 Balance	511,933	162,052	129,023	803,008

(*) Past due receivables portfolio amounting to TL250,007 for which TL249,854 provision and TL14,225 for which TL14,225 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. respectively for TL29,800 at 26 March 2015 and TL2,850 at 23 June 2015. Also, amounting to TL215,335 for which TL215,331 provision and TL41,823 for which TL41,823 provision had been allocated is sold to Final Varlık Yönetim A.Ş. respectively for TL27,310 at 27 October 2015 and TL7,511 at 29 December 2015 After completion of the necessary procedures and collection of the sale price, such past due receivables have been written off from the accounts.

(**) Past due receivables portfolio amounting to TL174,635 for which TL174,477 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. to TL19,800 After completion of the necessary procedures and collection of the sale price on 26 August 2015, such past due receivables have been written off from the accounts.

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 2015 is TL318,767 (31 December 2014: TL236,874).

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	225,357	176,746
Vehicle	78,774	56,043
Cash	312	201
Other	14,324	3,884
Total	318,767	236,874

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5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

As of 31 December 2015 and 31 December 2014, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2015	Commercial	Consumer	Total
Residential, commercial or industrial property	66,588	5,247	71,835
Other	39	-	39
Total	66,627	5,247	71,874

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

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

31 December 2015	Less than 30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	938,291	374,515	238,051	1,550,857
Consumer Loans	206,593	272,130	127,027	605,750
Credit Cards	86,142	42,471	19,076	147,689
Total	1,231,026	689,116	384,154	2,304,296

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

Total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Group held as at TL1,906,005 (31 December 2014 is TL861,640).

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	536,022	611,346
Vehicle	82,831	117,862
Cash	10,112	14,267
Other	1,277,040	118,165
Total	1,906,005	861,640

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

6. Information on held-to-maturity investments:

a) a.1) Held-to-maturity investments subject to repurchase agreements: None (31 December 2014: None).

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	312,654	-	271,749	-
Other	-	-	-	-
Total	312,654	-	271,749	-

Unrestricted financial assets held-to maturity amounting to TL26,763(31 December 2014: TL45,611).

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

	Current Period	Prior Period
Government bonds	339,417	317,360
Treasury bills	-	-
Other public sector debt securities	-	-
Total	339,417	317,360

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities	339,417	317,360
Quoted on a stock exchange	339,417	317,360
Unquoted	-	-
Impairment provision(-)	-	-
Total	339,417	317,360

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	317,360	292,956
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	22,057	24,404
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	339,417	317,360

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

7. Information on associates (Net):

a.1) Information on consolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2014: None).

a.2) Information on the unconsolidated associates: None (31 December 2014: None).

a.3) Information on the consolidated associates: None (31 December 2014: None).

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

7. Information on associates (Net): (continued)

- a.4) Valuation of consolidated associates: None (31 December 2014: None).
a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2014: None).

8. Information on subsidiaries (Net):

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

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

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2014: None).
c) Information on the unconsolidated subsidiaries: None (31 December 2014: None).
d) Information on the consolidated subsidiaries:
d.1) Information on the consolidated subsidiaries:

Description	Address (City/ Country)	Group's share percentage-If different voting percentage (%)	Other shareholders' share percentage (%)
TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	-
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	54.74	45.26

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

Total Assets	Shareholder' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
1,240,129	72,684	1,363	108,352	-	8,301	15,831	-
134,651	93,115	2,919	15,394	17	14,644	7,966	-
18,896	16,447	289	1,685	98	2,122	2,006	-

(*) These figures are shown per BRSA financial statements as of 31 December 2014.

- d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	208,643	199,281
Movements during the period	(61,657)	9,362
Purchases	-	-
Bonus shares obtained	-	9,379
Share in current year income	-	-
Sales (*)	(61,657)	-
Revaluation increase	-	-
Value Increase/(Decrease)	-	(17)
Balance at the end of the period	146,986	208,643
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and consolidated sales revenue arising from those transactions amounting to TL127,510 and is presented under "Income from discontinued operations" in financial statements.

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8. Information on subsidiaries (Net):

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
Factoring Companies	/ TEB Faktoring A.Ş.	68,691	68,691
Other Financial Subsidiaries	/ TEB Yatırım Menkul Değerler A.Ş.	72,941	72,941
	TEB Portföy Yönetimi A.Ş.	5,354	5,354
	Stichting Effecten Dienstverlening (*),(**)	-	352
	Kronenburg Vastgoed B.V. (*),(**)	-	51
Total		146,986	208,643

(*) The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and consolidated sales revenue arising from those transactions amounting to TL127,510 and is presented under "Income from discontinued operations" in financial statements.

(**) Fully consolidated to The Economy Bank NV.

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

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2014: None).

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

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

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current asset	Long-term receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	18,710	14,180	1,331	72,116	(64,620)

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

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

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10. Information on finance lease receivables (Net): None (31 December 2014: None).

11. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	1,681	-
Cash flow hedge	58,309	-	59,119	-
Hedge of net investment in foreign operations	-	-	-	-
Total	58,309	-	60,800	-

In case of termination of fair value hedge, all manner of adjustment on financial instrument’s book value determined by using effective interest rate is amortized as loss or profit up to maturity date. According to the related terminated fair value hedge accounting as of 31 December 2015, accumulated valuation difference traced on balance sheet is negatively amounted to TL1,913.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences negatively amounted TL2,766 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

12. Information on investment property: None (31 December 2014: None).

	31 December 2014	Additions	Disposals	Other (*)	31 December 2015
Cost:					
Land and buildings	116,556	-	-	(11,423)	105,133
Leased tangible assets	36,804	-	(50)	-	36,754
Other	866,487	63,308	(80,425)	(4,510)	844,860
Total Cost	1,019,847	63,308	(80,475)	(15,933)	986,747
		Period			
	31 December 2014	Charge	Disposals	Other	31 December 2015
Accumulated Depreciation:					
Land and buildings	40,606	3,148	(58)	(2,830)	40,866
Leased tangible assets	36,765	6	(50)	-	36,721
Other	616,357	91,132	(79,787)	(4,050)	623,652
Total Accumulated Depreciation	693,728	94,286	(79,895)	(6,880)	701,239
Net Book Value	326,119				285,508

(*) The balance consists of costs amounting to TL15,493 and accumulated depreciation amounting to TL6,880 arising from the sale of TEB NV in current period.

- 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.

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

13. Information on intangible assets:

	31 December 2014	Additions	Disposals	Other (*)	31 December 2015
Cost:					
Other intangible assets	205,180	29,431	-	(4,780)	229,829
Total Cost	205,180	29,431	-	(4,780)	229,829
		Period			
	31 December 2014	Charge	Disposals	Other	31 December 2015
Accumulated Depreciation:					
Other intangible assets	148,597	33,514	-	(4,629)	177,479
Total Accumulated Depreciation	148,597	33,514	-	(4,629)	177,479
Net Book Value	56,583				52,350

(*) The balance consists of cost of TL4,780 and accumulated depreciation of TL4,629 due to the sale of TEB NV in current period.

- Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- 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.
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: None
- Information on goodwill:

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

- 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 Currency Differences	-	-
Acquired	-	-
End Balance	421,124	421,124

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14. Information on investment property: None (31 December 2014: None).

15. Information on held deferred tax asset:

- a) As of 31 December 2015, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL88,723 (31 December 2014: TL105,608). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax asset:

	Current Period	Prior Period
At January 1	104,452	41,103
Deferred tax benefit / (charge)	30,329	62,820
Deferred tax accounted for under equity	(43,699)	494
Other	(2,359)	35
Deferred Tax Asset	88,723	104,452

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

	Current Period	Prior Period
Beginning of Period Cost	83,187	86,505
Beginning of Period Accumulated Depreciation (-)	3,721	3,288
Net Book Value	79,466	83,217
Opening Balance	79,466	83,217
Acquired	58,547	64,855
Disposed (-)	62,786	64,167
Impairment (-)	1,499	2,087
Depreciation Value (-)	1,854	2,352
End of Period Cost	74,768	83,187
End of Period Accumulated Depreciation (-)	2,894	3,721
Closing Net Book Value	71,874	79,466

17. Information on factoring receivables of Group:

- a) Maturity Analysis:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short term (*)	574,497	654,302	907,446	449,121
Medium and Long Term	-	-	-	-
Specific provisions (-)	18,812	1,664	22,812	833
Total	555,685	652,638	884,634	448,288

(*) Amounting to TL32,688 (31 December 2014: TL30,568) impaired factoring receivable included.

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

17. Information on factoring receivables of Group: (continued)

b) Other explanations and disclosures:

Current Period	Commercial	Consumer	Total
Neither past due nor impaired	1,172,280	-	1,172,280
Past due not impaired	23,831	-	23,831
Individually impaired	32,688	-	32,688
Total	1,228,799	-	1,228,799
Specific Provision (-)	20,476	-	20,476
Total allowance for impairment	20,476	-	20,476
Net credit balance on balance sheet	1,208,323	-	1,208,323
Prior Period	1,208,323	-	1,208,323
Neither past due nor impaired	1,312,975	-	1,312,975
Past due not impaired	13,024	-	13,024
Individually impaired (*)	30,568	-	30,568
Total	1,356,567	-	1,356,567
Specific Provision (-)	23,645	-	23,645
Total allowance for impairment	23,645	-	23,645
Net credit balance on balance sheet	1,332,922	-	1,332,922

(*) Past due receivables portfolio of TEB Faktoring amounting to TL15,111 and for which TL15,111 provision had been allocated is sold to TURKASSET Varlık A.Ş. for TL100 on 22 October 2015. After completion of the necessary procedures and collection of the sale price, such past due receivables have been written off from the accounts.

18. Information on other assets:

Other assets item of the balance sheet is amounted to TL1,301,856 (31 December 2014: TL1,280,260) and it does not exceed 10% of total assets except off-balance commitments.

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II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	1,205,384	-	3,944,382	9,670,953	674,131	21,286	23,176	-	15,539,312
Foreign currency deposits	3,157,354	-	3,266,373	8,374,541	310,398	83,735	117,274	-	15,309,675
Residents in Turkey	3,010,000	-	2,643,523	8,028,524	294,698	39,921	113,090	-	14,129,756
Residents abroad	147,354	-	622,850	346,017	15,700	43,814	4,184	-	1,179,919
Public sector deposits	212,261	-	44,947	57,421	-	26,416	-	-	341,045
Commercial deposits	2,193,608	-	1,168,393	3,863,724	823,014	1,676	2,558	-	8,052,973
Other institutions deposits	53,655	-	67,438	1,514,855	1,861,861	1,076,581	171	-	4,574,561
Precious metals deposits	157,062	-	42,899	188,852	10,688	46,008	-	-	445,509
Interbank deposits	1,078	-	105,838	7,641	-	-	-	-	114,557
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	51	-	-	-	-	-	-	-	51
Foreign Banks	1,027	-	105,838	7,641	-	-	-	-	114,506
Special finance houses	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	6,980,402	-	8,640,270	23,677,987	3,680,092	1,255,702	143,179	-	44,377,632

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	928,314	-	3,744,377	9,897,136	396,187	26,609	28,648	-	15,021,271
Foreign currency deposits	2,551,598	-	2,135,214	6,498,671	207,751	206,362	232,441	-	11,832,037
Residents in Turkey	1,969,153	-	1,840,428	6,210,638	162,519	118,822	129,515	-	10,431,075
Residents abroad	582,445	-	294,786	288,033	45,232	87,540	102,926	-	1,400,962
Public sector deposits	247,153	-	37,999	13,682	7,954	-	-	-	306,788
Commercial deposits	1,941,294	-	1,522,552	4,290,951	236,926	9,982	4,130	-	8,005,835
Other institutions deposits	41,975	-	79,699	2,973,062	319,811	1,088	45	-	3,415,680
Precious metals deposits	222,298	-	70,470	152,932	24,197	7,725	-	-	477,622
Interbank deposits	40,299	-	619,179	638,234	42,220	29,763	2,122	-	1,371,817
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	33	-	-	-	-	6,507	2,122	-	8,662
Foreign Banks	38,233	-	619,179	638,234	42,220	23,256	-	-	1,361,122
Special finance houses	2,033	-	-	-	-	-	-	-	2,033
Other	-	-	-	-	-	-	-	-	-
Total	5,972,931	-	8,209,490	24,464,668	1,235,046	281,529	267,386	-	40,431,050

1. 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	7,556,838	6,971,655	7,463,940	7,594,770
Foreign currency saving deposits	1,767,595	1,345,618	6,487,853	4,300,796
Other deposits in the form of saving deposits	95,688	184,386	313,477	250,282
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	9,420,121	8,501,659	14,265,270	12,145,848

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

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

1. b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	305,763	212,102
Deposits of ultimate shareholders and their close families	1,055,183	1,108,411
Deposits of chairman and members of the Board of Directors and their close families	34,583	25,856
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	56,535	12,817	83,456	15,036
Swap Transactions	355,825	23,597	173,297	107,236
Futures Transactions	-	-	-	-
Options	53,751	16,872	55,852	13,781
Other	-	-	-	-
Total	466,111	53,286	312,605	136,053

3. Information on funds borrowed and debt securities issued:

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	176,687	160,262	373,102	161,717
From Foreign Banks, Institutions and Funds	1,483,192	10,915,152	609,128	9,221,518
Total	1,659,879	11,075,414	982,230	9,383,235

As of 31 December 2015 the Group has borrowings from its related parties amounting to TL6,322,179 (31 December 2014: TL5,560,693).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,597,645	8,358,395	730,272	8,997,587
Medium and long-term	62,234	2,717,019	251,958	385,648
Total	1,659,879	11,075,414	982,230	9,383,235

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

The Parent Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2015 foreign borrowings of the Bank includes syndication loan obtained with the agreement dated 19 August 2015, and 24 August 2016 maturity amounting to EUR15,000,000 and 29 August 2016 maturity USD175,000,000, and EUR370,000,000.

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

3. Information on funds borrowed and debt securities issued: (continued)

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

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

d) Explanations on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2,384,787	-	1,756,987	-
Financial institutions and organizations	2,384,787	-	1,756,987	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	2,384,787	-	1,756,987	-

e) Explanations on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	184,110	86,553	696,679	294,904
Treasury Bills	-	-	-	-
Total	184,110	86,553	696,679	294,904

The Parent Bank, within the scope of Euro Medium Term Note Programme (“EMTN”), the issuance of debt instrument outside of Turkey amounting to USD24,600,000 with a maturity of 7 January 2016 has been completed on 30 June 2015 with the ISIN code “XS1253857376”.

The Parent Bank, within the scope of Euro Medium Term Note Programme (“EMTN”), the issuance of debt instrument outside of Turkey amounting to USD5,000,000 with a maturity of 14 January 2016 has been completed on 14 July 2015 with the ISIN code “XS1260048852”.

Bond issued by the Parent Bank on 5,6,7 October 2015 with a nominal value of TL107,538, maturity of 89 days, with due date of 6 January 2016, with an interest rate of 10.6650% and with an annual compound rate of 11.1029% has started to be publicly traded in Borsa İstanbul outright purchases and sales market with the ISIN code “TRQTEBK11611” since 12 October 2015.

Bond issued by the Parent Bank on 16-17-18 November 2015 with a nominal value of TL78,226, maturity of 89 days, with due date of 17 February 2016, with an interest rate of 10.6974% and with an annual compound rate of 11.1381% has started to be publicly traded in Borsa İstanbul outright purchases and sales market with the ISIN code “TRQTEBK21610” since 23 November 2015.

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 2014: None).

5. Explanations on financial lease obligations (Net):

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

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

5. Explanations on financial lease obligations (Net): (continued)

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

- b) The explanation on modifications in agreements and new obligations resulting from such modifications: (None)
- c) Explanation on finance lease payables: None (31 December 2014: None).
- d) Explanations regarding operational leases:

For the period ended 31 December 2015, operational lease expenses amounting to TL205,504 (31 December 2014: TL186,770) 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. Information on derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	11,264	-
Cash flow hedge	158,539	677	302,606	-
Hedge of net investment in foreign operations	-	-	-	-
Total	158,539	677	313,870	-

In case of termination of fair value hedge, all manner of adjustment on financial instrument’s book value determined by using effective interest rate is amortized as loss or profit up to maturity date. According to the related terminated fair value hedge accounting as of 31 December 2015, accumulated valuation difference traced on balance sheet is negatively amounted to TL1,913.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences negatively amounted TL2,766 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

7. Information on provisions:

- a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	562,743	508,156
Additional Provision for Loans and Receivables with Extended Maturities	8,005	16,595
Provisions for Second Group Loans and Receivables	85,364	74,142
Additional Provision for Loans and Receivables with Extended Maturities	3,311	2,590
Provisions for Non-Cash Loans	41,807	35,130
Other	9,184	3,866
Total	699,098	621,294

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

7. Information on provisions: (continued)

- b) Foreign exchange losses on the foreign currency indexed loans amounting to TL18,682 (31 December 2014: TL15,704) is offset from the loans on the balance sheet.
- c) The specific provisions provided for unindemnified non cash loans amount to TL37,680 (31 December 2014: TL42,821).
- d) Liabilities on unused vacation, bonus and employee termination benefits:

As of 31 December 2015, TL19,381 (31 December 2014: TL23,588) unused vacation provision, TL102,153 (31 December 2014: TL101,658) employee termination benefit provision, TL93,430 (31 December 2014: TL94,651) bonus for the employee are presented under “Reserve for Employee Benefit” in financial statements.

d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	101,658	89,348
Service cost	13,524	14,599
Interest cost	8,618	9,570
Settlement cost	3,361	2,900
Actuarial loss	(14,467)	(5,971)
Benefits paid	(10,541)	(8,788)
Total	102,153	101,658

(i) Retirement Benefits:

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

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Parent Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2015 and 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.

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

7. Information on provisions: (continued)

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

(i) Retirement Benefits: (continued)

Based on the determined assumptions,

	31 December 2015	31 December 2014
Transferrable Retirement and Health Liabilities:		
Net Present Value of Transferrable Retirement Liabilities	(1,146,530)	(1,024,427)
Net Present Value of Transferrable Retirement and Health Contributions	505,725	528,309
General Administration Expenses	(11,465)	(10,243)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(652,270)	(506,361)
Fair Value of Plan Assets (2)	1,537,369	1,387,693
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	885,099	881,332
Non-Transferable Benefits (4)	(240,435)	(206,832)
Asset Surplus over Total Benefits ((3)-(4))	644,664	674,500

Distribution of total assets of the Retirement Fund as of 31 December 2015 and 31 December 2014 is presented below:

	31 December 2015	31 December 2014
Bank placements	1,424,127	1,299,485
Tangible assets	79,720	71,266
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	-	15,220
Other	33,522	1,722
Total	1,537,369	1,387,693

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

	31 December 2015	31 December 2014
Discount Rate	10.30%	8.80%
Expected Inflation Rate	5.00%	5.00%

As of 31 December 2015, medical inflation is expected more than 20% (31 December 2014: 20%). General wage increases and Social Security Institution (the “SSİ”) 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 2014: CSO 2001) Female/Male mortality table is used.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2014: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for potential loan risk	112,421	37,174
Provision for legal cases	42,028	37,704
Provision for unindemnified non-cash loans	37,680	42,821
Provision for promotions of credit cards and banking services	11,284	12,625
Other	46,994	24,909
Total	250,407	155,233

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

8. Explanations on taxes payable:

a) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	109,955	87,155
Taxation on Securities	42,538	35,744
Property Tax	2,208	2,202
Banking Insurance Transaction Tax (BITT)	44,731	36,559
Foreign Exchange Transaction Tax	35	13
Value Added Tax Payable	3,844	5,229
Other (*)	17,920	20,177
Total	221,231	187,079

(*) Others include income taxes deducted from wages amounting to TL14,619 (31 December 2014: TL14,101) and stamp taxes payable amounting to TL1,455 (31 December 2014: TL1,361).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5,964	5,465
Social Security Premiums-Employer	6,826	6,310
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	519	481
Unemployment Insurance-Employer	840	769
Other	-	-
Total	14,149	13,025

c) Explanations on deferred tax liabilities, if any: Deferred tax liability of the Group is TL1,156 as of 31 December 2014 (31 December 2015: None).

9. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2014: None).

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

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

The Parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual, notes that are not redeemed until 1 August 2017 will be converted to common share at an agreed price.

The Parent Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR175 million. Since the coupon rate of the issue amounting to 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 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,527.78 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. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

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

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Parent 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. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

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

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III. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

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

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,266,082	-	1,128,132
From Other Foreign Institutions	-	673,954	-	657,783
Total	-	1,940,036	-	1,785,915

11. Information on Shareholders’ Equity:

a) Presentation of Paid-in capital:

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

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

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

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

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

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

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

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the bank is followed up and estimated by the Parent Bank’s Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

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

11. Information on Shareholders’ Equity: (continued)

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	(67,787)	59,523	(25,613)	1,035
Foreign Exchange Difference	-	-	-	-
Total	(67,787)	59,523	(25,613)	1,035

12. Information on minority shares: As of 31 December 2015, part of the group equity that belongs to minority shares is TL7,444 (31 December 2014: TL7,390).

13. Information on factoring liabilities: As of 31 December 2015 group has factoring debt of TL15,356 (31 December 2014: TL7,832).

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card expenditure limits	4,580,727	4,101,473
Loan Granting Commitments	4,306,849	4,336,542
Payment commitment for checks	2,260,921	2,186,510
Forward asset purchase commitments	1,567,255	1,689,251
Tax and fund liabilities from export commitments	26,185	24,189
Commitments for promotions related with credit cards and banking activities	4,538	5,178
Forward deposit purchase commitments	-	-
Other irrevocable commitments	588,751	401,570
Total	13,335,226	12,744,713

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

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

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

	Current Period	Prior Period
Letters of Credit	1,406,746	1,508,547
Bank Acceptances	48,830	62,150
Other Commitments	2,642,207	1,802,337
Other Contingencies	533,908	440,207
Total	4,631,691	3,813,241

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

	Current Period	Prior Period
Guarantee Letters	6,356,356	5,659,329
Advance Guarantee Letters	1,135,218	1,098,182
Temporary Guarantee Letters	767,473	481,798
Guarantee Letters Given for Customs	338,178	340,349
Other Guarantee Letters	1,269,905	706,736
Total	9,867,130	8,286,394

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

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	495,181	512,651
With maturity of 1 year or less than 1 year	56,260	24,310
With maturity of more than 1 year	438,921	488,341
Other non-cash loans	14,003,640	11,586,984
Total	14,498,821	12,099,635

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

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	43,419	0.69	26,421	0.32	85,575	1.58	38,463	0.57
Farming and raising livestock	31,754	0.51	25,506	0.31	57,315	1.06	32,392	0.48
Forestry, Wood and Paper	4,657	0.07	915	0.01	21,836	0.40	6,071	0.09
Fishery	7,008	0.11	-	-	6,424	0.12	-	-
Manufacturing	2,169,528	34.57	4,255,439	51.75	2,381,505	44.03	3,680,524	55.02
Mining and Quarry	168,332	2.68	374,984	4.56	140,719	2.60	308,516	4.61
Production	1,934,948	30.83	3,775,204	45.91	2,179,276	40.29	3,303,381	49.38
Electricity, Gas and Water	66,248	1.06	105,251	1.28	61,510	1.14	68,627	1.03
Construction	1,378,245	21.96	1,208,602	14.70	1,183,909	21.89	1,287,903	19.25
Services	2,684,391	42.78	1,969,185	23.94	1,659,868	30.69	871,478	13.02
Wholesale and Retail Trade	1,163,448	18.54	382,521	4.65	695,905	12.86	109,808	1.64
Hotel, Tourism, Food and Beverage Services	57,600	0.92	43,515	0.53	46,956	0.87	48,973	0.73
Transportation and Communication	572,586	9.12	361,783	4.40	285,443	5.28	337,210	5.04
Financial Institutions	247,836	3.95	213,289	2.59	217,826	4.03	166,418	2.49
Real Estate and Renting	281,633	4.49	680,199	8.27	163,889	3.03	67,608	1.01
Self-employment Services	170,097	2.71	168,566	2.05	111,835	2.07	69,656	1.04
Education Services	7,367	0.12	30	-	6,185	0.11	1,405	0.02
Health and Social Services	183,824	2.93	119,282	1.45	131,829	2.44	70,400	1.05
Other	-	-	763,591	9.29	98,603	1.81	811,807	12.14
Total	6,275,583	100.00	8,223,238	100.00	5,409,460	100.00	6,690,175	100.00

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

Non-cash loans	Ist Group		IInd Group	
	TL	FC	TL	FC
Letters of guarantee	4,734,519	5,037,293	71,433	23,885
Bank acceptances	-	48,830	-	-
Letters of credit	1,419	1,405,327	-	-
Endorsements	-	-	-	-
Underwriting commitments.	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,466,163	1,707,903	2,049	-
Total	6,202,101	8,199,353	73,482	23,885

The Group provided a reserve of TL63,229 (31 December 2014: TL74,447) for non-cash loans not indemnified yet amounting to TL37,680 (31 December 2014: TL42,821) and reflected that in financial statements.

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

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	61,045,821	58,692,299	-	-
Forward transactions	9,743,982	7,918,769	-	-
Swap transactions	38,107,002	33,065,343	-	-
Futures transactions	-	-	-	-
Option transactions	13,194,837	17,708,187	-	-
Interest related derivative transactions (II):	4,740,964	4,866,700	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	4,740,964	4,864,376	-	-
Interest option transactions	-	2,324	-	-
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)	65,786,785	63,562,424	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	691,940
Cash flow hedges	-	-	14,258,638	10,394,271
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	14,258,638	11,086,211
Total Derivative Transactions (A+B)	65,786,785	63,562,424	14,258,638	11,086,211

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

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

i) Derivative instruments for fair value hedging purposes:

As of 31 December 2014, The Parent Bank applied 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 2015: None) and their net fair value is negative TL9,583 (31 December 2015: None) and fair value of the hedged loans is TL6,077 (31 December 2015: 1,913). The Bank accounts TL50,301 income (31 December 2014: TL8,726 expense) for derivative instruments used for hedging purposes and TL4,164 expense (31 December 2014: TL2,673 income) from hedged item loans in the financial statements. Regarding the available-for-sale securities as of 31 December 2014, the amount related to the effective portion is TL150 (31 December 2015: None) which is accounted as TL120 (31 December 2015: None) in the financial statements net-off tax.

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

i) Derivative instruments for fair value hedging purposes: (continued)

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	-	-	-	691,940	1,681	11,264
Interest Rate Swaps	-	-	-	-	-	-
	-	-	-	691,940	1,681	11,264

ii) Derivative instruments for cash flow hedge purposes:

The Parent Bank has applied cash flow accounting by matching its swap portfolio (Total notional amount TL14,258,638) with 1-90 days of maturity deposit portfolio and selected borrowing portfolio. Effective portion of TL101,180 (31 December 2014: TL75,147 credit) credit accounted for under equity is presented after deducting its deferred tax effect of TL20,236 (31 December 2014: TL15,029 credit) debit in the financial statements. In 2015, the ineffective portion of TL877 expense (31 December 2014: TL459 expense) is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	1,560,678	19,354	2,082	-	-	-
Interest Rate Swaps	12,697,960	38,955	157,133	10,394,271	59,119	302,606
	14,258,638	58,309	159,215	10,394,271	59,119	302,606

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets

- a) a.1) The Group's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Group's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2015, there are no contingent assets that need to be explained (31 December 2014: 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 Parent 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 Parent Bank by Tax Supreme Court. In this context, the Parent 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 Parent Bank between the years 2003 and 2006.

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

- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
(continued)

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 Parent Bank based on the declaration as of 20 April 2004. In that respect, the Parent Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Parent Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

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

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State’s overruling and conducted the litigation in favor of the Parent 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 Parent 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 Parent Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Parent 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”.

In the decision concluded within the scope of file number 2010/9089 of the 4th Chamber of the Council of State, K.2013/5291, communicated on 31 July 2013, accepted the appeal request with justifications and stated, “it has concluded that the balance sheet loss will be deducted as an expense from the revenue when determining the corporate profit but will not be carried forward for more than five years, thus there is nothing contrary to law in the Tax Court's decision; the TL48,557,000.00 commercial balance sheet loss was reached by deducting TL203,049,000,000.00 in BRSA adjustments in the same year from the TL154,492,000.00 commercial profit; and since BRSA adjustments are also considered in the same sheet in total profits and additions, taking a commercial balance sheet loss for the same year into consideration in the total of other rebates and exemptions does not result in any duplication”. It has also been decided that the Istanbul 1st Tax Court's judgement number E.2010/661, K.2010/2377 will be reversed and the loss will not be subject to a duplicate rebate. The defendant authority's request for a revision of the decision was rejected. Upon the 4th Chamber of the Council of State's decision to reject the request for a revision of the decision, the examination of file number 2015/1202 E. continues on site at the Istanbul 1st Tax Court.

5. Custodian and intermediary services:

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

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2015 the total nominal value and number of certificates are TL9,864,449 and TL986,439,765 thousand (31 December 2014: TL1,666,917 and TL166,682,310 thousand) and the total fair value is TL1,532,293 (31 December 2014: TL8,290,103).

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

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: March 2015

View	Negative
Revised Loan Valuation	Baa3
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
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Individual Rating

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

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

1. a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	2,863,838	141,075	2,638,020	127,720
Medium and long term loans	2,493,823	196,017	1,746,284	171,479
Interest on non-performing loans	37,436	-	34,133	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	5,395,097	337,092	4,418,437	299,199

(*) Includes fees and commissions obtained from cash loans amounting to TL131,385 (31 December 2014: TL110,602).

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	32,736	395	26,766	182
Foreign banks	3,766	1,775	3,890	952
Branches and head office abroad	-	-	-	-
Total	36,502	2,170	30,656	1,134

c) Information on interest received from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	21,492	608	32,586	1,063
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	339,611	520	359,702	67
Investments Held-to-Maturity	27,748	-	29,077	-
Total	388,851	1,128	421,365	1,130

d) Information on interest received from associates and subsidiaries:

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	21,233	3,572	15,767	4,949
Foreign banks	113,350	185,879	51,201	147,231
Branches and head office abroad	-	-	-	-
Other financial institutions	-	14,896	-	13,865
Total	134,583	204,347	66,968	166,045

(*) Includes fees and commission expenses of cash loans amounting to TL7,599 (31 December 2014: TL5,617).

b) Information on interest expenses to associates and subsidiaries:

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

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	41,321	1,751	54,865	656
Total	41,321	1,751	54,865	656

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

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Current Period								
TL								
Bank deposits	-	9,147	23	-	69	82	-	9,321
Saving deposits	-	412,578	838,755	38,833	1,928	2,661	-	1,294,755
Public sector deposits	-	3,986	8,048	648	349	-	-	13,031
Commercial deposits	-	110,134	482,506	52,654	182	311	-	645,787
Other deposits	-	2,708	241,595	94,069	91,668	8	-	430,048
7 days call accounts	-	-	-	-	-	-	-	-
Total	-	538,553	1,570,927	186,204	94,196	3,062	-	2,392,942
FC								
Foreign currency deposits	-	37,168	184,210	4,690	1,688	3,884	-	231,640
Bank deposits	-	414	1,576	-	-	-	-	1,990
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	658	3,302	441	455	-	-	4,856
Total	-	38,240	189,088	5,131	2,143	3,884	-	238,486
Grand Total	-	576,793	1,760,015	191,335	96,339	6,946	-	2,631,428

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		
Prior Period								
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	-	100,864	372,797	29,519	725	1,239	-	505,144
Other deposits	-	13,321	196,939	100,202	566	119	-	311,147
7 days call accounts	-	-	-	-	-	-	-	-
Total	1	439,753	1,374,293	176,649	4,738	3,952	-	1,999,386
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	473,660	1,551,422	183,491	8,164	9,239	-	2,225,977

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

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	1,112	1,339
Other	-	-
Total	1,112	1,339

4. Information on net trading income:

	Current Period	Prior Period
Income	19,022,214	13,189,049
Gains on capital market operations	49,594	45,344
Gains on derivative financial instruments (*)	6,309,986	3,418,651
Foreign exchange gains (**)	12,662,634	9,725,054
Losses (-)	19,576,416	13,545,568
Losses on capital market operations	47,470	37,214
Loss on derivative financial instruments (*)	5,537,350	4,240,400
Foreign exchange losses (**)	13,991,596	9,267,954

(*) As of 31 December 2015, foreign exchange profit on hedging transactions is TL40,719 (31 December 2014: TL55,932 net loss).

(**) Foreign exchange gains on derivative financial transactions are TL199,345 (31 December 2014: TL83,998).

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 TL137,745 (31 December 2014: TL89,645) and amount to TL67,483 (31 December 2014: TL19,720) 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	762,491	461,393
III. Group Loans and Receivables	157,548	115,967
IV. Group Loans and Receivables	226,374	143,354
V. Group Loans and Receivables	378,569	202,072
General provision expenses	88,247	71,227
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	85,232	39,078
Total	935,970	571,698

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	935,546	862,487
Reserve for employee termination benefits	14,962	27,740
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	93,965	85,553
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	32,781	26,563
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1,499	2,087
Depreciation expenses of assets to be disposed	1,854	2,352
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	790,734	699,905
Rent expenses	205,504	186,626
Maintenance expenses	22,267	22,236
Advertisement expenses	79,466	73,367
Other expenses	483,497	417,676
Loss on sales of assets	1,649	4,031
Other (*)	331,877	311,712
Total	2,204,867	2,022,430

(*) Included TL58,352 (31 December 2014: TL54,654) in other premiums paid to the Saving Deposit Insurance Fund, TL92,178 (31 December 2014: TL81,389) is other taxes and duties paid.

8. Information of the profit/(loss) on continued and discontinued operations

- a) Profit before tax of continued operations consists of net interest income amounting to TL3,138,851 (31 December 2014: TL2,625,620) and net fee and commission income amounting to TL1,069,156 (31 December 2014: TL922,239) while operational expenses are TL2,204,867 (31 December 2014: TL 2,022,430).
- b) Information of the profit/(loss) on discontinued operations:

The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and consolidated sales revenue arising from those transactions amounting to TL127,510 and is presented under "Income from discontinued operations" in financial statements.

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

- a) As of 31 December 2015, continuing operations' current tax charge is TL213,116 (31 December 2014: TL241,755) and deferred tax benefit is TL27,145 (31 December 2014: TL63,215), TL15,537 deferred tax charge (31 December 2014: TL5,212) and TL3,184 deferred tax benefit from discontinued operations (31 December 2014: TL395 deferred tax charge).
- b) Deferred tax benefit on temporary differences resulted from continued operations is TL27,145 (31 December 2014: TL63,215). Deferred tax benefit on temporary differences resulted from discontinued operations is TL3,184 (31 December 2014: TL395 deferred tax charge).

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

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

c) Tax reconciliation:

	Current Period	Prior Period
Profit on continued and discontinued operations before taxes	925,364	826,601
Additions	111,055	104,284
Disallowable	16,775	26,389
General loan loss provision	87,792	71,237
Effect of different tax rate	(400)	4,461
Other	6,888	2,197
Deductions	(22,444)	(9,889)
Dividend income	(1,025)	(1,206)
Other	(21,419)	(8,683)
Taxable Profit/ (Loss)	1,013,975	920,996
Corporate tax rate	20%	20%
Tax calculated for continued and discontinued operations	202,795	184,199
Effect of tax account adjustment in the prior period	(4,471)	(52)
Tax Expense	198,324	184,147

d) As of 31 December 2015, current tax charge from continued operations is TL213,116 (31 December 2014: TL241,755) and deferred tax benefit on temporary differences is TL27,145 (31 December 2014: TL63,215), current tax charge from discontinued operations is TL15,537 (31 December 2014: TL5,212) and deferred tax benefit on temporary differences is TL3,184 (31 December 2014: TL395 deferred tax charge). Net tax charge recognized in the financial statements is TL198,324 (31 December 2014: TL184,147).

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

The Group’s net profit from continued operations for the year ended 31December 2015 is TL619,284 (31 December 2014: TL631,053). The Group has made net profit amounting to TL107,756 from discontinued operations (31 December 2014: TL11,401).

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

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (31 December 2014: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2014: None).

c) Profit or loss attributable to minority shares:

	Current Period	Prior Period
Profit or loss attributable to minority shares(*)	960	908

(*) Loss belongs to minority shares accounted for under the equity is TL60 (31 December 2014: TL45 profit).

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

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

Other interest income	Current Period	Prior Period
Interest income from factoring receivables	108,128	89,586
Other	2,635	10,805
Total	110,763	100,391

Other fees and commissions received	Current Period	Prior Period
Credit cards commissions and fees	623,544	670,941
Insurance commissions received	131,070	88,241
Intelligence fee and commissions	86,816	71,429
Commissions and fees earned from correspondent banks	52,367	40,441
Settlement expense provision, eft, swift, agency commissions	36,918	39,379
Funds management fees	32,043	31,875
Transfer commissions	28,831	28,186
Brokerage commissions	3,146	4,511
Other	346,065	268,590
Total	1,340,800	1,243,593

Other fees and commissions given	Current Period	Prior Period
Credit cards commissions and fees	279,123	340,021
Commissions and fees paid to correspondent banks	31,849	27,132
Settlement and swift commissions	24,866	22,394
Other	61,179	44,943
Total	397,017	434,490

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

- a) Shareholders' equity decreased TL20,236 after resulting from revaluation of financial assets available for sale (31 December 2014: TL97,904) and deferred tax effect of this change is TL3,982 (31 December 2014: TL19,789).

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: TL44,355 income (31 December 2014: TL109,999).

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): TL19,230 net income (31 December 2014: TL9,713).

- b) Increase in cash flow risk hedging items:

The Parent Bank hedges itself against cash flow risk from Turkish Lira short term time deposits and selected borrowings through its interest rate and currency swaps. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in the year 2015 is TL176,327 increase (31 December 2014: TL115,379 decrease) and deferred tax effect of this change is TL35,265 (31 December 2014: TL23,076).

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

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL33,934 in 2015 (31 December 2014: TL26,447).
- h) Information on shares issued:

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

VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL3,998,526 (31 December 2014: TL2,792,231) 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 TL401,900 (31 December 2014: TL793,398) 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 TL588,880 (31 December 2014: TL1,442,992) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL29,431 (31 December 2014: TL27,977) 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 monthly foreign exchange rates at the beginning and at the end of the period, and it is TL313,450 for the year 2015 (31 December 2014: TL9,874).

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VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows (continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	1,994,318	1,546,639
Cash in TL/Foreign Currency	766,644	673,704
Central Bank – Unrestricted amount	1,193,759	852,969
Other	33,915	19,966
Cash equivalents	1,444,904	404,863
Banks	894,866	404,618
Money market placements	550,038	245
Total cash and cash equivalents	3,439,222	1,951,502
End of the period	Current Period	Prior Period
Cash	2,597,683	1,994,318
Cash in TL/Foreign Currency	771,523	766,644
Central Bank – Unrestricted amount	1,766,219	1,193,759
Other	59,941	33,915
Cash equivalents	1,283,735	1,444,904
Banks	1,283,529	894,866
Money market placements	206	550,038
Total cash and cash equivalents	3,881,418	3,439,222

VII. Explanations on the Risk Group of the Parent Bank

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

The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015.

Prior period balances for balance sheet items and income/expense items are presented as of 31 December 2014.

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	-	-	73,403	175,997	14,491	97,560
Balance at end of period	-	-	20,568	300,347	31,734	62,332
Interest and commission income	-	-	5,275	232	1,401	155

Direct and indirect shareholders of the Bank balance above includes TL19,313 and other entities included in the risk group balance above includes TL22,510 placement in “Banks”.

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

VII. Explanations on the Risk Group of the Parent Bank (continued)

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

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	-	-	18,780	275,933	54,115	100,511
Balance at end of period	-	-	73,403	175,997	14,491	97,560
Interest and commission income	-	-	1,506	106	2,056	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”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	-	-	1,034,039	1,221,029	1,190,517	672,711
Balance at end of period	-	-	1,274,893	1,034,039	284,029	1,190,517
Interest on deposits	-	-	33,895	37,637	18,082	23,468

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	-	-	9,759,219	11,389,136	255,599	767
End of period	-	-	10,144,450	9,759,219	408,011	255,599
Total income/loss	-	-	76,184	(153,259)	4,152	(60)
Hedging transactions purposes						
Beginning of period	-	-	642,633	480,718	-	-
End of period	-	-	1,022,920	642,633	-	-
Total income/loss	-	-	(6,615)	11,628	-	-

d) As of 31 December 2015, the total amount of remuneration and fees provided for the senior management of the Group is TL39,295 (31 December 2014: TL39,386).

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

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2015**

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

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

1. Explanations on the Parent Bank’s Domestic, Abroad, Off-shore Branches or Subsidiaries, and Agencies Abroad:

	Numbers	Employees			
Domestic branches	528	9,862			
Rep-offices abroad	-	-			
Branches abroad	4	65	Cyprus	Total Assets	Capital
Off-shore branches	-	-	-	627,041	20,000

1. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

In the year 2015, the Parent Bank opened 9 branches, closed 28 branches. According to the Parent 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, and closing process has been completed on 23 November 2015.

IX. Explanations on Post Balance Sheet Events

- i. As of 7 January 2016, bond issued by the Parent Bank on 30 June 2015 with a nominal value of USD24,600,000, maturity of 191 days with the ISIN code “XS1253857376” has expired and it has been disposed.
- ii. As of 14 January 2016, bond issued by the Parent Bank on 14 July 2015 with a nominal value of USD5,000,000, maturity of 184 days with the ISIN code “XS1260048852” has expired and it has been disposed.
- iii. As of 6 January 2016, bond issued by the Parent Bank on 8 October 2015 with a nominal value of TL107,538, maturity of 89 days with the ISIN code “TRQTEBK11611” has expired and it has been disposed.

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SECTION SIX

OTHER EXPLANATIONS

I. Explanations on Other Activities of the Parent Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The consolidated financial statements of the Parent Bank were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 5 February 2016 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

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