



# Independent Auditors' Report

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Third Section)

## **To the Board of Directors of Türkiye Finans Katılım Bankası AŞ:**

We have audited the unconsolidated balance sheet of Türkiye Finans Katılım Bankası AŞ ("the Bank") as of 31 December 2014 and the unconsolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

### *Disclosure for the Responsibility of the Bank's Board of Directors*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

### *Disclosure for the Responsibility of the Authorized Audit Firm*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

# Independent Auditors' Report

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## *Independent Auditor's Opinion*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Finans Katılım Bankası AŞ as of 31 December 2014 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

## *Report on Other Legal and Regulatory Requirements*

- 1) Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ  
A member of KPMG International Cooperative



Alper Güvenç, SMMM  
Partner

13 February 2015  
İstanbul, Turkey

## **Additional paragraph for convenience translation to English:**

As explained in Note 1 in Third Section, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Türkiye Finans Katılım Bankası AŞ

# The Unconsolidated Financial Report of Türkiye Finans Katılım Bankası A.Ş. For the year Ended 31 December 2014

Address of the Headquarter of the Bank: Adnan Kahveci Caddesi No:131 34876 Yakacık – Kartal/İstanbul  
Phone and Fax Numbers of the Bank: 0 216 586 70 00/0 216 586 63 26  
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The unconsolidated Year-End Financial Report prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

GENERAL INFORMATION ABOUT THE BANK

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK

EXPLANATIONS ON THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK INFORMATION ON FINANCIAL STRUCTURE OF THE BANK

EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

Mustafa BOYDAK

Chairman of the Board of Directors

V. Derya GÜNERK

General Manager

Abdüllatif ÖZKAYNAK

Finance Executive Vice President

Eyüp ASKER

Financial Reporting & Control Vice  
President

Oğuz KAYHAN

Audit Committee Member

Lama Ahmad M GHAZZAOU

Audit Committee Member

Information on the authorized personnel to whom questions may be directed related to this financial report:

Name-Surname/Title: Sefa SEYHAN/Manager

Phone Nr: 0216 586 91 86

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Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## SECTION ONE

### GENERAL INFORMATION

#### I. Explanations on the date of establishment and the initial status of the Participation Bank, and the history including the changes in the former status

Participation banks started their operations in accordance with the Provision on Establishment of Participation Banks of Decree No. 83/7506 dated 16 December 1983, and the related Communiqués issued by Prime Ministry Undersecretariat of Treasury and by Central Bank of Turkish Republic. Participation banks then continued their operations in accordance with Banking Act Nr. 4389, dated 18 June 1999, with the change declared in Act Nr. 4491, dated 17 December 1999. In the Provisional Article Nr. 3, of Act Nr. 4491, a transition period of two years is stated to complete the compliance to Banking Act. The Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Participation Bank began its operations on 4 November 1991 in accordance with the regulation nr. 83/7506 published on 16 December 1983.

According to the decision made by Board of Directors' meeting of Anadolu Finans Kurumu AŞ nr. 1047 on 31 May 2005, it is decided that Anadolu Finans Kurumu AŞ is merged with Family Finans Kurumu AŞ.

The merger was realized by transferring all assets, liabilities and off-balance sheet items of Family Finans Kurumu AŞ to Anadolu Finans Kurumu AŞ. Banking Regulation and Supervision Agency ("BRSA") affirmed both the transfer agreement signed between Anadolu Finans Kurumu AŞ and Family Finans Kurumu AŞ and alterations in primary contract of Anadolu Finans Kurumu AŞ on 20 October 2005. Decision related to merger was approved by the decree nr. 1764 dated 28 December 2005 of BRSA.

BRSA approved the title of the Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Participation Bank"), during the merger process, with the decision dated 30 November 2005 and Nr. 1747, in compliance with Article 48 of Turkish Commercial Code, and subject to the approval of Council of Ministers. The change in title of the Participation Bank was registered by T.R. Istanbul Trade Registry Office on 30 December 2005, in compliance with Turkish Commercial Code Nr. 6762.

As 31 December 2014 the Bank operates through 280 branches with 4,478 employees.

#### II. Explanations regarding Participation Bank's shareholder structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current period, if any and explanations on the controlling group of the Participation Bank

The shareholder structure of the Participation Bank is presented in note IV.

With the authorization of BRSA, numbered 2489 and dated 28 February 2008, 60% of the Participation Bank was acquired by the National Commercial Bank. The Participation Bank increased its capital from TL 292,047 to TL 800,000 with the capital increase in 2008. As per the decision has been taken by the Extraordinary General Assembly on 6 June 2012, the Bank's share capital will increase by TL 975,000 from TL 800,000 to TL 1,775,000. Cash commitment amounting to TL 150,000 was paid by shareholders on 2 October 2012 and recorded into capital accounts on 19 November 2012. As of 31 December 2012, cash commitment amounting to TL 125,000 was paid by shareholders and recorded into capital accounts on with the approval of Banking Regulation and Supervision Agency on increase dated 6 February 2013. As per decision has taken by the Extraordinary General Assembly on 29 August 2014, the Bank's share capital will increase by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 will be transferred from extraordinary reserves and the remaining part amounting to TL 225,000 will be paid in cash.

Cash commitment amounting to TL 100,000 was paid by shareholders on 24 October 2014, remaining TL 125,000 on 19 November 2014 and the approval of the Banking Regulation and Supervision Agency expected to record into capital accounts.

As of 31 December 2014, the shares are as follows; the National Commercial Bank 67.03%, Boydak group holds 22.34%, Ülker group holds 10.57%; and they have the main controlling power after merger.

As of 31 December 2014, the Participation Bank's paid-in-capital consists of 2,600,000,000 shares of TL 1 nominal each.

The Participation Bank is controlled by the National Commercial Bank group.

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The National Commercial Bank (NCB) established as the first and the biggest bank of Saudi Arabia. The Bank is performing its banking operations through cross-border in Bahrain and Lebanon. The headquarter of The National Commercial Bank is located in Jeddah.

### III. Explanations regarding the Chairman and the Members of Board of Directors, Audit Committee, Chief Executive Officer and Assistants, if any, their shares and responsibilities in the Participation Bank

Title	Name and Surname	Educational Degree	Responsibilities	Ownership percentage %
Chairman of the Board of Directors	Mustafa Boydak	University	Chairman of the Board of Directors	1.90
Members of the Board	Saeed Mohammed A. Alghamdi	University	Member of the Board	-
	Oğuz Kayhan	Master	Member of the Board and the Audit Committee	-
	Halil Cem Karakaş	Doctorate	Member of the Board	-
	Alsharif Khalid AlGhalib	Master	Member of the Board	-
	Lama Ahmad M Ghazzaoui	University	Member of the Board and the Audit Committee	-
	Veysel Derya Gürerk (General Manager)	Master	Member of the Board and General Manager	-
Members of the Audit Committee	Oğuz Kayhan	Master	Member of the Board and the Audit Committee	-
	Lama Ahmad M Ghazzaoui	University	Member of the Board and the Audit Committee	-
Presidents	Osman ÇELİK	University	Commercial Banking	-
	İkram GÖKTAŞ	University	Distribution and Service	-
	Zühal Ulutürk	Master	Human Resources	-
	Erol GÖRGÜN	Master	Loans	-
	Menduh KARA	University	SME Banking	-
	Fahri ÖBEK	Master	Information Technology	-
	Semih ALŞAR	Master	Retail Banking	-
	Abdüllatif ÖZKAYNAK	University	Finance	-
	Ali GÜNEY	University	Treasury	-
	Dursun ARSLAN	Master	Operation and Strategy	-

According to a decision of Board of Directors on 28 March 2014, six board members except the general manager to serve for a period of three years revised. According to a decision of Board of Directors on 28 March 2014, Halil Cem Karakaş and Lama Ahmad M Gazzaoui are appointed as Member of Board instead of Mehmet Atilla Kurama and Brain Keith Belcher respectively.



Türkiye Finans Katılım Bankası AŞ

## Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

### IV. Explanations on the people and institutions that have qualified shares of the Participation Bank

Name Surname/Commercial Name	Share Amounts	Share Ratio %	Paid Up Shares	Unpaid Shares
THE NATIONAL COMMERCIAL BANK	1,742,676	67.03	1,742,676	-
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	274,838	10.57	274,838	-
(HACI) MUSTAFA BOYDAK (1934)	60,994	2.35	60,994	-
BOYDAK HOLDİNG A.Ş.	58,090	2.23	58,090	-
BEKİR BOYDAK	49,275	1.90	49,275	-
MEMDUH BOYDAK	49,275	1.90	49,275	-
MUSTAFA BOYDAK (1963- Sami's son)	49,275	1.90	49,275	-
YUSUF BOYDAK	46,381	1.78	46,381	-
ŞÜKRÜ BOYDAK	41,080	1.58	41,080	-
HACI BOYDAK	39,521	1.52	39,521	-

### V. Summary on the Participation Bank's functions and areas of activity

The Participation Bank operates in accordance with the principles of interest-free banking as a participation bank, by collecting funds through current accounts and profit sharing accounts, and lending such funds through production support, finance lease and profit/loss sharing partnership.

The Participation Bank has two ways of collecting funds; current accounts and profit sharing accounts. The Participation Bank classifies current accounts and profit sharing accounts in accordance with their maturities in its accounting system. Profit sharing accounts are categorized into five different maturity groups; one month, up to three months (three months included), up to six months (six months included), up to one year and one year and more than one year (one month, three months, six months and one year profit share payment).

The Participation Bank could determine the participation rates on profit/loss sharing accounts with respect to the maturity group of Turkish Lira and foreign currency accounts, separately under the limitation that the participation rate on loss shall not be less than 50%, for different currency type, amount and maturity groups specifically.

The Participation Bank constitutes specific fund pools, allocated to the individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are distinguished from others with respect to the terms, accounted separately from the others and it is not allowed to make any transfers from these accounts to any other maturity groups. Specific fund pools are clarified at the end of the financing period.

In addition to ordinary banking activities, the Participation Bank has services through branches. It has insurance agency operations through Eureka Sigorta, Işık Sigorta, Aviva Sigorta, Neova Sigorta, Groupama Sigorta and HDI Sigorta. Besides, it has private pension insurance agency operations on behalf of Garanti Emeklilik and Groupama Emeklilik. In addition, it has stock broker agency services on behalf of Bizim Menkul Değerler A.Ş.

On the other hand Participation Bank mainly has services such as letters of guarantee, import credits and acceptance credits and other kind of non-cash credits as well.

The Participation Bank's operations are not limited as mentioned above. In case of any transaction else made, not mentioned above, and considered as in favor of participating bank, upon the request of the board of directors, this case is adjudicated by general meeting and is proceeded to be got required approval from competent authority and depends on the approval of Ministry of commerce and customs. Thus, the approved decision is added on main agreement.

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

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## **VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods**

TF Varlık Kiralama AŞ, which was established on 11 February 2013 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from 30 June 2013.

TFKB Varlık Kiralama AŞ, which was established on 8 July 2014 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from 31 December 2014.

## **VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities**

The transfer of shareholder's equity between the Bank and its subsidiaries is not in question.

There is no restriction on existing or potential, actual or legal obstacles on the Reimbursement of Liabilities between the Bank and its subsidiaries. The Bank can receive or pay the amounts regarding rendering and getting services from its subsidiaries within the framework service agreements.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet (Statement of Financial Position)
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- VII. Profit distribution table

Türkiye Finans Katılım Bankası AŞ

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TÜRKİYE FİNANS KATILIM BANKASI A.Ş. BALANCE SHEET (Statement of Financial Position)							
ASSETS	Footnotes (5-I)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)		
		TP	YP	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	885,425	4,271,199	5,156,624	558,306	3,277,948	3,836,254
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	9,503	16,607	26,110	33,927	12,742	46,669
2.1 Financial assets held for trading		9,503	16,607	26,110	33,927	12,742	46,669
2.1.1 Government debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		9,290	16,151	25,441	33,793	12,678	46,471
2.1.4 Other securities		213	456	669	134	64	198
2.2 Financial assets valued at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	(3)	85,491	487,115	572,606	484,448	469,755	954,203
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	1,144,594	831,560	1,976,154	1,067,307	345,718	1,413,025
5.1 Equity securities		4,225	145	4,370	4,225	151	4,376
5.2 Government debt securities		1,034,596	726,809	1,761,405	1,063,082	345,567	1,408,649
5.3 Other securities		105,773	104,606	210,379	-	-	-
<b>VI. LOANS</b>	(5)	21,658,485	1,397,937	23,056,422	16,528,993	918,968	17,447,961
6.1 Loans		21,430,015	1,397,937	22,827,952	16,414,441	916,269	17,330,710
6.1.1 Loans to risk group of the Bank		89,919	566	90,485	159,248	24,123	183,371
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		21,340,096	1,397,371	22,737,467	16,255,193	892,146	17,147,339
6.2 Non-performing loans		592,235	5,082	597,317	431,195	9,877	441,072
6.3 Specific provisions (-)		(363,765)	(5,082)	(368,847)	(316,643)	(7,178)	(323,821)
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	568,400	-	568,400	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
8.1 Consolidated under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial investments		-	-	-	-	-	-
8.2.2 Non-financial investments		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	100	-	100	50	-	50
9.1 Unconsolidated financial subsidiaries		100	-	100	50	-	50
9.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>X. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	(9)	-	-	-	-	-	-
10.1 Consolidated under equity method		-	-	-	-	-	-
10.2 Unconsolidated associates		-	-	-	-	-	-
10.2.1 Financial investments		-	-	-	-	-	-
10.2.2 Non-Financial investments		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	(10)	1,235,541	-	1,235,541	841,649	-	841,649
11.1 Finance lease receivables		1,429,078	-	1,429,078	968,255	-	968,255
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(193,537)	-	(193,537)	(126,606)	-	(126,606)
<b>XII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	-	-	-	-	-	-
12.1 Fair value hedges		-	-	-	-	-	-
12.2 Cash flow hedges		-	-	-	-	-	-
12.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(12)	417,576	-	417,576	211,689	-	211,689
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(13)	49,165	-	49,165	37,149	-	37,149
14.1 Goodwill		-	-	-	-	-	-
14.2 Other intangibles		49,165	-	49,165	37,149	-	37,149
<b>XV. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVI. TAX ASSET</b>		36,626	-	36,626	22,649	-	22,649
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		36,626	-	36,626	22,649	-	22,649
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	142	-	142	67	-	67
17.1 Assets held for sale		142	-	142	67	-	67
17.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(17)	370,712	28,612	399,324	311,348	3,916	315,264
<b>TOTAL ASSETS</b>		26,461,760	7,033,030	33,494,790	20,097,582	5,029,047	25,126,629

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

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. BALANCE SHEET (Statement of Financial Position)							
LIABILITIES AND EQUITY	Footnotes (5-II)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	<b>12,443,928</b>	<b>6,668,832</b>	<b>19,112,760</b>	<b>9,641,978</b>	<b>5,499,740</b>	<b>15,141,718</b>
1.1 Funds from risk group of the Bank		279,359	206,471	485,830	178,110	139,514	317,624
1.2 Other		12,164,569	6,462,361	18,626,930	9,463,868	5,360,226	14,824,094
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>4,758</b>	<b>4,724</b>	<b>9,482</b>	<b>21,646</b>	<b>16,660</b>	<b>38,306</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>550,803</b>	<b>8,018,612</b>	<b>8,569,415</b>	<b>161,147</b>	<b>5,004,862</b>	<b>5,166,009</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>652,629</b>	-	<b>652,629</b>	<b>721,560</b>	-	<b>721,560</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>785,095</b>	<b>163,241</b>	<b>948,336</b>	<b>523,947</b>	<b>111,031</b>	<b>634,978</b>
<b>VII. OTHER LIABILITIES</b>	(4)	<b>401,761</b>	<b>22,007</b>	<b>423,768</b>	<b>529,521</b>	<b>19,752</b>	<b>549,273</b>
<b>VIII. LEASE PAYABLES (Net)</b>	(5)	<b>143,600</b>	-	<b>143,600</b>	-	-	-
8.1 Finance lease payables		145,644	-	145,644	-	-	-
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		(2,044)	-	(2,044)	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(6)	-	<b>51,547</b>	<b>51,547</b>	-	-	-
9.1 Fair value hedges		-	-	-	-	-	-
9.2 Cash flow hedges		-	51,547	51,547	-	-	-
9.3 Net foreign investment hedges		-	-	-	-	-	-
<b>X. PROVISIONS</b>	(7)	<b>319,804</b>	<b>34,172</b>	<b>353,976</b>	<b>275,284</b>	<b>35,005</b>	<b>310,289</b>
10.1 General loan loss provision		199,612	-	199,612	150,439	-	150,439
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		78,565	-	78,565	70,111	-	70,111
10.4 Insurance technical reserves (Net)		-	-	-	-	-	-
10.5 Other provisions		41,627	34,172	75,799	54,734	35,005	89,739
<b>XI. TAX LIABILITY</b>	(8)	<b>75,430</b>	-	<b>75,430</b>	<b>42,115</b>	-	<b>42,115</b>
11.1 Current tax liability		75,430	-	75,430	42,115	-	42,115
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
12.1 Assets held for sale		-	-	-	-	-	-
12.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED DEBTS</b>	(10)	-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	<b>3,153,576</b>	<b>271</b>	<b>3,153,847</b>	<b>2,538,340</b>	<b>(15,959)</b>	<b>2,522,381</b>
14.1 Paid-in capital		2,600,000	-	2,600,000	1,775,000	-	1,775,000
14.2 Capital reserves		28,329	271	28,600	55,417	(15,959)	39,458
14.2.1 Share premium		-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Securities value increase fund		7,431	3,939	11,370	(20,836)	(15,959)	(36,795)
14.2.4 Revaluation surplus on tangible assets		36,701	-	36,701	89,615	-	89,615
14.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
14.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Ventures)		-	-	-	-	-	-
14.2.8 Hedging reserves (effective portion)		-	(3,668)	(3,668)	-	-	-
14.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
14.2.10 Other capital reserves		(15,803)	-	(15,803)	(13,362)	-	(13,362)
14.3 Profit reserves		108,015	-	108,015	378,646	-	378,646
14.3.1 Legal reserves		88,826	-	88,826	72,236	-	72,236
14.3.2 Statutory reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		19,097	-	19,097	306,410	-	306,410
14.3.4 Other profit reserves		92	-	92	-	-	-
14.4 Profit or loss		417,232	-	417,232	329,277	-	329,277
14.4.1 Prior years' profit/loss		83,004	-	83,004	-	-	-
14.4.2 Current period net profit/loss		334,228	-	334,228	329,277	-	329,277
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18,531,384</b>	<b>14,963,406</b>	<b>33,494,790</b>	<b>14,455,538</b>	<b>10,671,091</b>	<b>25,126,629</b>

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

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. OFF-BALANCE SHEET ITEMS							
	Footnotes (5-III)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>9,575,637</b>	<b>12,012,381</b>	<b>21,588,018</b>	<b>9,027,390</b>	<b>9,374,362</b>	<b>18,401,752</b>
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>6,258,680</b>	<b>4,389,737</b>	<b>10,648,417</b>	<b>5,366,183</b>	<b>3,537,956</b>	<b>8,904,139</b>
1. Letters of guarantee		6,252,604	2,977,485	9,230,089	5,358,131	2,368,148	7,726,279
1.1. Guarantees subject to State Tender Law		188,238	-	188,238	189,098	-	189,098
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		6,064,366	2,977,485	9,041,851	5,169,033	2,368,148	7,537,181
1.2. Bank acceptances		4,577	509,545	514,122	3,911	432,029	435,940
1.2.1. Import letter of acceptance		4,477	509,545	514,022	953	432,029	432,982
1.2.2. Other bank acceptances		100	-	100	2,958	-	2,958
1.3. Letters of credit		1,499	902,707	904,206	4,141	737,779	741,920
1.3.1. Documentary letters of credit		1,499	902,707	904,206	4,141	737,779	741,920
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	-	-	-	-	-
1.7. Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1),(3)	<b>2,250,199</b>	<b>1,312,057</b>	<b>3,562,256</b>	<b>2,039,251</b>	<b>323,509</b>	<b>2,362,760</b>
2. Irrevocable commitments		2,250,199	1,312,057	3,562,256	2,039,251	323,509	2,362,760
2.1. Forward asset purchase and sale commitments		123,650	1,312,057	1,435,707	169,159	323,509	492,668
2.1.2. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		26,616	-	26,616	17,018	-	17,018
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Commitments for cheque payments		1,253,169	-	1,253,169	1,109,434	-	1,109,434
2.1.7. Tax and fund obligations on export commitments		1,678	-	1,678	2,033	-	2,033
2.1.8. Commitments for credit card limits		805,524	-	805,524	706,334	-	706,334
2.1.9. Commitments for credit cards and banking services promotions		1,253	-	1,253	1,068	-	1,068
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		38,309	-	38,309	34,205	-	34,205
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>1,066,758</b>	<b>6,310,587</b>	<b>7,377,345</b>	<b>1,621,956</b>	<b>5,512,897</b>	<b>7,134,853</b>
3.1 Derivative financial instruments held for risk management		-	1,107,747	1,107,747	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	1,107,747	1,107,747	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		1,066,758	5,202,840	6,269,598	1,621,956	5,512,897	7,134,853
3.2.1 Forward foreign currency buy/sell transactions		1,066,758	4,591,505	5,658,263	1,621,956	5,136,960	6,758,916
3.2.1.1 Forward foreign currency transactions-buy		151,747	2,821,037	2,972,784	793,861	2,566,164	3,360,025
3.2.1.2 Forward foreign currency transactions-sell		915,011	1,770,468	2,685,479	828,095	2,570,796	3,398,891
3.2.2 Other forward buy/sell transactions		-	611,335	611,335	-	375,937	375,937
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>306,585,038</b>	<b>27,506,680</b>	<b>334,091,718</b>	<b>227,673,881</b>	<b>21,497,196</b>	<b>249,171,077</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>3,558,794</b>	<b>2,977,416</b>	<b>6,536,210</b>	<b>2,015,989</b>	<b>1,560,842</b>	<b>3,576,831</b>
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		990,661	-	990,661	28,604	2,085	30,689
4.3. Checks received for collection		1,784,162	187,132	1,971,294	1,460,839	137,363	1,598,202
4.4. Commercial notes received for collection		754,230	512,845	1,267,075	526,543	108,324	634,867
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received through public offering		-	-	-	-	-	-
4.7. Other items under custody		29,683	1,958,704	1,988,387	-	1,026,369	1,026,369
4.8. Custodians		58	318,735	318,793	3	286,701	286,704
<b>V. PLEDGED ITEMS</b>		<b>303,026,244</b>	<b>24,503,419</b>	<b>327,529,663</b>	<b>225,657,892</b>	<b>19,911,659</b>	<b>245,569,551</b>
5.1. Securities		40,486	16,853	57,339	54,607	22,087	76,694
5.2. Guarantee notes		89,390,997	2,997,928	92,388,925	57,500,671	1,688,884	59,189,555
5.3. Commodities		2,662,778	463,181	3,125,959	1,976,516	404,229	2,380,745
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		61,158,977	144,004	61,302,981	46,924,906	100,480	47,025,386
5.6. Other pledged items		149,725,641	20,739,420	170,465,061	119,157,958	17,541,242	136,699,200
5.7. Pledged items-depository		47,365	142,033	189,398	43,234	154,737	197,971
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>25,845</b>	<b>25,845</b>	<b>-</b>	<b>24,695</b>	<b>24,695</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>316,160,675</b>	<b>39,519,061</b>	<b>355,679,736</b>	<b>236,701,271</b>	<b>30,871,558</b>	<b>267,572,829</b>

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

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		TÜRKİYE FİNANS KATILIM BANKASI A.Ş. INCOME STATEMENT	
		ÖTHOUSAND TURKISH LIRA	
INCOME AND EXPENSE ITEMS	Footnotes (5-IV)	Audited CURRENT PERIOD 1 January - 31 December 2014	Audited PRIOR PERIOD 1 January - 31 December 2013
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>2,169,968</b>	<b>1,566,233</b>
1.1 Profit share on loans		1,923,545	1,436,930
1.2 Profit share on reserve deposits		529	-
1.3 Profit share on banks		320	437
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		139,130	66,568
1.5.1 Financial assets held for trading		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available for sale		102,180	66,568
1.5.4 Investments held to maturity		36,950	-
1.6 Finance lease income		80,457	40,612
1.7 Other profit share income		25,987	21,686
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>1,072,136</b>	<b>692,150</b>
2.1 Expense on profit sharing accounts		753,582	542,840
2.2 Profit share expense on funds borrowed		253,794	137,192
2.3 Profit share expense on money market borrowings		55,199	12,118
2.4 Expense on securities issued		-	-
2.5 Other profit share expense		9,561	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>1,097,832</b>	<b>874,083</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>148,598</b>	<b>128,272</b>
4.1 Fees and commissions received		233,092	177,712
4.1.1 Non-Cash loans		93,576	83,128
4.1.2 Other	(12)	139,516	94,584
4.2 Fees and commissions paid		84,494	49,440
4.2.1 Non-Cash loans		-	-
4.2.2 Other	(12)	84,494	49,440
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/EXPENSES (Net)</b>	(4)	<b>25,657</b>	<b>71,677</b>
6.1 Trading account income/expenses		847	1,201
6.2 Income/expenses from derivative financial instruments		(38,626)	37,110
6.3 Foreign exchange gains/losses		63,436	33,366
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>171,201</b>	<b>108,234</b>
<b>VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)</b>		<b>1,443,288</b>	<b>1,182,266</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(299,462)</b>	<b>(202,750)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(718,541)</b>	<b>(567,004)</b>
<b>XI. NET OPERATING INCOME/EXPENSE (VIII-IX-X)</b>		<b>425,285</b>	<b>412,512</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)</b>	(8)	<b>425,285</b>	<b>412,512</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	(9)	<b>(91,057)</b>	<b>(83,235)</b>
16.1 Current tax charge		(111,835)	(80,719)
16.2 Deferred tax charge/(credit)		20,778	(2,516)
<b>XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>	(10)	<b>334,228</b>	<b>329,277</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Expense on assets held for sale		-	-
19.2 Expense on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
19.3 Expense on other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>334,228</b>	<b>329,277</b>

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

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

<b>TÜRKİYE FİNANS KATILIM BANKASI A.Ş. STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
	<b>THOUSAND TURKISH LIRA</b>	
	<b>CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)</b>	<b>PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)</b>
<b>INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>60,206</b>	<b>(54,620)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>27,713</b>	<b>-</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>-</b>	<b>-</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>(5,873)</b>	<b>-</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(3,051)</b>	<b>(16,702)</b>
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(6,852)</b>	<b>14,264</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>72,143</b>	<b>(57,058)</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	<b>334,638</b>	<b>329,277</b>
1.1 Net changes in fair value of securities (transferred to income statement)	(5,331)	(133)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	339,969	329,410
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>406,781</b>	<b>272,219</b>

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. STATEMENT OF CASH FLOWS			
		THOUSAND TURKISH LIRA	
		CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)	PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)
		Footnotes (5-VI)	
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>		<b>326,492</b>
<b>1.1.1</b>	Profit share income received		1,517,647
<b>1.1.2</b>	Profit share expense paid		(675,851)
<b>1.1.3</b>	Dividend received		-
<b>1.1.4</b>	Fees and commissions received		177,712
<b>1.1.5</b>	Other income		38,961
<b>1.1.6</b>	Collections from previously written off loans and other receivables		112,797
<b>1.1.7</b>	Cash payments to personnel and service suppliers		(437,668)
<b>1.1.8</b>	Taxes paid		(86,908)
<b>1.1.9</b>	Other	(1)	(526,683)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>1,422,817</b>
1.2.1	Net (Increase) Decrease in financial assets held for trading		1
1.2.2	Net (Increase) Decrease in financial assets at fair value through profit or loss		-
1.2.3	Net (Increase) Decrease in due from banks and other financial institutions		(1,205,195)
1.2.4	Net (Increase) Decrease in loans		(5,261,777)
1.2.5	Net (Increase) Decrease in other assets		27,267
1.2.6	Net Increase (Decrease) in bank deposits		(11,225)
1.2.7	Net Increase (Decrease) in other deposits		3,716,798
1.2.8	Net Increase (Decrease) in funds borrowed		1,392,769
1.2.9	Net Increase (Decrease) in due payables		-
1.2.10	Net Increase (Decrease) in other liabilities	(1)	626,497
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>1,749,309</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(1,228,488)</b>
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(50)
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-
2.3	Purchases of tangible assets		(71,016)
2.4	Sales of tangible assets		279
2.5	Cash paid for purchase of financial assets available for sale		(786,782)
2.6	Cash obtained from sale of financial assets available for sale		61,086
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Other	(1)	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>1,192,150</b>
3.1	Cash obtained from funds borrowed and securities issued		1,067,150
3.2	Cash used for repayment of funds borrowed and securities issued		-
3.3	Equity instruments issued		125,000
3.4	Dividends paid		-
3.5	Payments for financial leases		-
3.6	Others		92
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>202,141</b>
<b>V.</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,087,054</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of period</b>	(4)	<b>1,599,964</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of period</b>	(4)	<b>1,878,601</b>



Türkiye Finans Katılım Bankası AŞ

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

**TÜRKİYE FİNANS KATILIM BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
<b>PRIOR PERIOD</b>							
<b>Audited</b>							
<b>(01.01-31.12.2013)</b>							
<b>I. Balances at beginning of the period</b>		<b>1,650,000</b>	-	-	-	<b>58,083</b>	-
<b>II. Correction made as per TAS 8</b>		-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-
<b>III. Adjusted balances at beginning of the period (I+II)</b>		<b>1,650,000</b>	-	-	-	<b>58,083</b>	-
<b>Changes during the period</b>							
<b>IV. Mergers</b>		-	-	-	-	-	-
<b>V. Market value changes of securities</b>		-	-	-	-	-	-
<b>VI. Hedging reserves</b>		-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>VII. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-
<b>VIII. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-
<b>IX. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-
<b>X. Translation differences</b>		-	-	-	-	-	-
<b>XI. Changes resulted from disposal of assets</b>		-	-	-	-	-	-
<b>XII. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-
<b>XIII. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-
<b>XIV. Capital increase</b>		<b>125,000</b>	-	-	-	-	-
14.1 Cash		125,000	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-
<b>XV. Share issuance</b>		-	-	-	-	-	-
<b>XVI. Share cancellation profits</b>		-	-	-	-	-	-
<b>XVII. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-
<b>XVIII. Others</b>		-	-	-	-	-	-
<b>XIX. Current period net profit/loss</b>		-	-	-	-	-	-
<b>XX. Profit distribution</b>		-	-	-	-	<b>14,153</b>	-
20.1 Dividends		-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	14,153	-
20.3 Others		-	-	-	-	-	-
<b>Balances at the end of the period (I+II+III+...+XVI+XVII+XVIII)</b>		<b>1,775,000</b>	-	-	-	<b>72,236</b>	-

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

THOUSAND TURKISH LIRA

	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
	36,990	-	283,573	-	6,901	89,615	-	-	-	2,125,162
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	36,990	-	283,573	-	6,901	89,615	-	-	-	2,125,162
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(43,696)	-	-	-	-	(43,696)
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	125,000
	-	-	-	-	-	-	-	-	-	125,000
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	(13,362)	-	-	-	-	-	-	-	(13,362)
	-	-	329,277	-	-	-	-	-	-	329,277
	269,420	-	(283,573)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	269,420	-	(283,573)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	306,410	(13,362)	329,277	-	(36,795)	89,615	-	-	-	2,522,381

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

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## TÜRKİYE FİNANS KATILIM BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes (5-V)	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
<b>CURRENT PERIOD</b>							
<b>Audited</b>							
<b>(01.01-31.12.2014)</b>							
<b>I. Balances at beginning of the period</b>		<b>1,775,000</b>	-	-	-	<b>72,236</b>	-
<b>Changes during the period</b>							
<b>II. Mergers</b>		-	-	-	-	-	-
<b>III. Market value changes of securities</b>	(1),(2)	-	-	-	-	-	-
<b>IV. Hedging reserves</b>		-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>V. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-
<b>VI. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-
<b>VIII. Translation differences</b>		-	-	-	-	-	-
<b>IX. Changes resulted from disposal of assets</b>		-	-	-	-	-	-
<b>X. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-
<b>XI. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-
<b>XII. Capital increase</b>		<b>825,000</b>	-	-	-	-	-
12.1 Cash		225,000	-	-	-	-	-
12.2 Internal sources		600,000	-	-	-	-	-
<b>XIII. Share issuance</b>		-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-
<b>XVI. Others</b>	(5)	-	-	-	-	-	-
<b>XVII. Current period net profit/loss</b>		-	-	-	-	-	-
<b>XVIII. Profit distribution</b>		-	-	-	-	<b>16,590</b>	-
18.1 Dividends	(3)	-	-	-	-	-	-
18.2 Transfers to reserves	(4)	-	-	-	-	16,590	-
18.3 Others		-	-	-	-	-	-
<b>Balances at end of the period</b>							
<b>(I+II+III+...+XVI+XVII+XVIII)</b>		<b>2,600,000</b>	-	-	-	<b>88,826</b>	-

THOUSAND TURKISH LIRA

Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
306,410	(13,362)	329,277	-	(36,795)	89,615	-	-	-	2,522,381
-	-	-	-	-	-	-	-	-	-
-	-	-	-	48,165	26,327	-	-	-	74,492
-	-	-	-	-	-	-	(3,668)	-	(3,668)
-	-	-	-	-	-	-	(3,668)	-	(3,668)
-	-	-	83,004	-	(79,241)	-	-	-	3,763
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(600,000)	-	-	-	-	-	-	-	-	225,000
-	-	-	-	-	-	-	-	-	225,000
(600,000)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	(2,349)	-	-	-	-	-	-	-	(2,349)
-	-	334,228	-	-	-	-	-	-	334,228
312,687	-	(329,277)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
312,687	-	(329,277)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
19,097	(15,711)	334,228	83,004	11,370	36,701	-	(3,668)	-	3,153,847

Türkiye Finans Katılım Bankası AŞ

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		TÜRKİYE FİNANS KATILIM BANKASI A.Ş. PROFIT DISTRIBUTION TABLE	
		THOUSAND TURKISH LIRA	
		CURRENT PERIOD Audited (31/12/2014)	PRIOR PERIOD Audited (31/12/2013)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT PERIOD PROFIT <sup>(*)</sup></b>		
1.1	CURRENT PERIOD PROFIT	425,285	412,512
1.2	TAXES AND DUES PAYABLE (-)	(91,057)	(83,235)
1.2.1	Corporate Tax (Income Tax)	(111,835)	(80,719)
1.2.2	Income Tax Withholding	-	-
1.2.3	Other Taxes and Dues Payable <sup>(**)</sup>	20,778	(2,516)
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>334,228</b>	<b>329,277</b>
1.3	PRIOR YEAR'S LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(16,590)
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>312,687</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit and loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND 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 Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit/loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	312,687
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>		
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 Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit/loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF STOCKS	0.14	0.15
3.2	TO OWNERS OF STOCKS (%)	14	15
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(\*) Authorized unit is general assembly on current period profit distribution. Ordinary General assembly of the Participation Bank is not held as of the date of report.

(\*\*) Other tax and duties include deferred tax Gains/(Losses) amounts.

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

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## SECTION THREE

### ACCOUNTING POLICIES

#### I. Basis of Presentation

##### 1. Presentation of Financial Statements

The unconsolidated financial statements are prepared in accordance with 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, which refers to “Turkish Accounting Standards” (“TAS”), put into effect by Public Oversight Accounting and Auditing Standards Authority (“KGG”), and “Turkish Financial Reporting Standards” (“TFRS”) and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS”) published by the Banking Regulation and Supervision Agency (“BRSA”). The format and content of the publicly announced unconsolidated 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 Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004 except for the financial assets and liabilities which are carried at fair value.

The Preparation of the unconsolidated financial statements in conformity with TAS requires the Bank Management to use of certain make assumption and estimates on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates on the assets and liabilities of balance sheet and contingent issues as of the balance sheet date. These estimates are reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement.

The amendments of TAS and TFRS which have entered into force as of 1 January 2014 have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, which have been published as of reporting date but have not been effective yet, have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

##### 2. Restatement of Financial Statements upon the Current Purchasing Power Parity

The Participation Bank’s financial statements have been prepared in accordance with TAS 29 “Reporting in Hyperinflationary Economies” until 31 December 2004. By a Circular declared by BRSA at 28 April 2005 and decision declared by BRSA at 21 April 2005 Nr 1623, it was stated that the indicators of a need for inflation accounting have been ceased and inflation accounting would not be applied starting from 1 January 2005.

##### 3. Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The Participation Bank receives profit share accounts on the basis of taking share from both profit and loss. These profit loss based accounts are generally evaluated as Corporate Financing Support, Individual Financing Support, Financial Leasing and Profit Loss Joint Project. Yields of these funds are fixed.

Türkiye Finans Katılım Bankası AŞ

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(Thousands of Turkish Lira (TL) unless otherwise stated)

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Active credit risk management procedures are applied due to fixed yields of funds. The rating and scoring systems applied by the Participation Bank, includes detailed company analysis realized in annually or semi-annually and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system and if acceptable, loan limits are revised.

In order to maintain the ratio of liquid assets to total assets (except statutory reserves) around 15%-17% is adopted as liquidity principle by the Participation Bank. Equity profitability is maximized by evaluating this liquidity opportunity in short maturity transactions in international markets.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Central Bank of Turkey's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

Net foreign currency position is followed in legal limits and ensured that the ratio is within +/-20% level. Besides, different policies and strategies are settled according to macroeconomic situations about foreign currency position. However, the Participation Bank always avoids taking positions that expose high level of currency risk.

### III. Explanations on Forward and Option Contracts and Derivative Instruments

The Participation Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements. The Participation Bank has no derivative products that are detached from the host contract.

Derivatives are initially recorded in off-balance sheet accounts at their contract values.

Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement.

The Participation Bank hedges its cash flow risk arising from foreign currency liabilities by using cross currency swap. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, discontinuing or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

### IV. Explanations on Profit Share Income and Expenses

Profit share income and expenses are recognized in the income statement on an accrual basis.

Realized and unrealized profit share accruals of the non-performing loans are reversed and profit share income in connection with these loans is recorded as profit share income only when they are collected.

### V. Explanations and Disclosures on Fees and Commission Income and Expenses

Banking service revenues are recognized as income only when they are collected while only the current portion of the prepaid commission income obtained from corporate loans is recorded as income on an accrual basis.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses and calculated based on internal rate of return method.

### VI. Explanations and Disclosures on Financial Assets

Financial instruments comprise of financial assets, financial liabilities and derivative instruments. Basically, financial assets form majority of the commercial activities and operations of the Participation Bank. Risks due to these instruments are substantial portion of the total risk taken by the Participation Bank. Financial instruments expose, change or reduce the liquidity, credit and market risks of the Participation Bank's financial statements. Buying/selling of these financial instruments is carried out in the name of customers and on behalf and account of the Participation Bank.

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Basically, financial instruments generate commercial operations of the Participation Bank. These instruments reveal, affect and decrease liquidity and credit risk on financial statements.

Buying/selling of financial instruments is recognized on settlement date basis. It is the date which an asset is delivered to the Participation Bank or by the Participation Bank. Settlement date accounting requires (a) recognizing of the asset in purchase date, and (b) to exclude the asset from balance sheet as of delivery date and recognizing profit or loss due to disposal of the assets as of the same date. Changes in fair value of the assets between trading date and settlement date are recognized for the financial assets at fair value through profit&loss and financial assets available for sale.

Ordinary purchase and sale generally supposed to purchase or sale of an asset based on a contract that requires the delivery of the asset in legal procedures and market precedents. Changes in fair value of the asset acquired between trading date and settlement date are recognized as the same in assets purchased. Changes in fair value of the asset are not recognized if it is recorded with its purchase or amortized cost. Gain or loss due to a financial asset at fair value is recorded in profit or loss, gain or loss due to an asset available for sale is recorded in equity.

Methods and assumptions used to determine reasonable value of every financial instrument are specified below.

## Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise of cash on hand, demand deposits, and highly liquid short-term investments not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these financial assets approximate to their fair value.

*Marketable securities at fair value through profit or loss* are classified in two categories; i) marketable securities classified as trading securities: acquired or incurred principally for the purpose of selling or repurchasing it in the near term in order to benefit from short-term profit opportunities; ii) marketable securities classified as marketable securities at fair value through profit or loss at initial recognition. The Participation Bank uses the above-mentioned classification when permitted, or for the purposes of providing a more appropriate presentation.

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair value of debt securities traded in an active market is determined based on the quoted prices or current market prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to profit share income or diminution in value of marketable securities accounts. Profit share income from financial assets at fair value through profit and loss is reflected in profit share income.

*Investments held to maturity* include securities with fixed or determinable payments and fixed maturity when there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. Subsequent to initial recognition, held to maturity investments are measured at amortized cost by using the internal rate of return method less impairment losses, if any. The Participation Bank has no financial assets acquired and classified as held to maturity investments that cannot be subject to such classification for two years because of the non-performance of tainting rules.

The profit share income received from held to maturity investments is recorded as profit share income in the income statement.

*Marketable securities classified as available for sale* are initially recognized at cost including the transaction costs. After initial recognition, available for sale securities are measured at fair value and unrealized gains/losses originating from the difference between the amortized cost and the fair value are recorded in "Securities Value Increase Fund" under equity. At the disposal of available for sale financial assets, value increase/decrease recorded in "Securities Value Increase Fund" under equity is transferred to the income statement.

## Loans

Loans and receivables are recognized at purchase cost and valued at amortized cost. Fees, transaction costs and other similar costs in connection with the guarantees of loans are considered as part of the transaction cost.



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Individual and corporate loans followed in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects based on loans' contents.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date; they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

### VII. Explanations on Impairment on Financial Assets

At each balance sheet date, the Participation Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is objective evidence that those assets have suffered an impairment loss. If any such indication exists, the Participation Bank determines the related impairment. A financial asset or a group of financial assets are impaired and have impairment loss if, and only if, there is an objective indicator of a single or multiple event ("event of loss") occurring after the initial recognition of the related asset and that the expected future cash flows of financial asset or group of financial assets are adversely affected by that event (or events). The losses expected to incur due to future events are not accounted regardless of high probability.

Loans considered as non-performing are classified in accordance with the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision", published on the Official Gazette nr.26333 dated 1 November 2006.

The provisions released in the same year are accounted by crediting the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Collections from Prior Years Expense account.

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

### VIII. Explanations on Offsetting of Financial Assets and Liabilities

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Participation Bank provides specific allowances for loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The allowances are recorded under "loans" as negative balances on the asset side.

Other financial assets and liabilities than explained above are offset when the Participation Bank has a legally enforceable right to set off, and when the Participation Bank has the intension of collecting or paying the net amount of related assets and liabilities or when the Participation Bank has the right to offset the assets and liabilities simultaneously.

### IX. Explanations on Sales and Repurchase Agreements and Lending of Securities

The Participation Bank does not have any repurchase agreements or lending of securities.

### X. Explanations on Assets Held For Sale and Discontinued Operations and Debts due to These Assets

The principles on accounting, assessment and disposal of assets held for sale of the Participation Bank are determined based on the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale" published on 1 November 2006 in the Official Gazette numbered 26333.

If assets acquired due to receivables of the Participation Bank are under a plan, they are followed in assets held for sale account.

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Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for the said assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or the group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Participation Bank's control and that the Participation Bank's plans for selling the related asset (or the group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a part of a bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. There is not a discontinued operation of the Participation Bank in the current period.

## **XI. Explanations and Disclosures on Goodwill and Other Intangible Assets**

As of the balance sheet date, The Participation Bank does not have any goodwill in its accompanying unconsolidated interim financial statements.

Intangible assets purchased before 1 January 2005, are presented with their inflation adjusted historical acquisition cost as of 31 December 2004 and intangible assets purchased in the subsequent periods, are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life. The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software.

## **XII. Explanations and Disclosures on Tangible Assets**

Tangible assets are accounted for at acquisition cost plus any other direct costs incurred to bring the asset for ready to use. Tangible assets are remeasured at their acquisition cost less accumulated depreciation and impairment loss, if any. The Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to (TAS 16) Standard for Tangible Assets. Expert values determined in December 2014 by an independent expert company are reflected to the financial statements. Participation Bank sold and lease back the Bank's real estates amounting to TL 102,295 from TF Varlık Kiralama A.Ş. at 21 January 2014. Sold real estates valuation amount of TL 79,241 removed from the revaluation account is reclassified to prior year's profit. Lease back transaction has ended at 18 July 2014 and deeds of real estates were transferred to the bank. Such revaluation increase is realized net TL 36,701 after deferred tax as of balance sheet date (31 December 2013: TL 89,615).

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset are recognized in the income statement by taking into account the difference between the net book value and the net proceeds.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

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The estimated useful lives of the tangible assets used by the Participation Bank are as follows:

<b>Tangible Assets</b>	<b>Estimated Useful Lives</b>
Safety Boxes	5-50 year
Office equipment	3-10 year
Leasehold Improvements	2-10 year
Other Movables	3-15 year
Furniture and Fixtures	3-10 year
Vehicles	5 year
Real Estates	50 year

### XIII. Explanations and Disclosures on Leasing Transactions

The Participation Bank as a Lessor;

The Participation Bank acts as a Lessor in leasing transactions. Assets subject to leasing are accounted in the Participation Bank's financials as receivables that equal to net leasing investment amount. Total of rental payments including profit shares and principals are recorded under "finance lease receivables" as gross. The difference, i.e. the profit share, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "finance lease receivables"; and the profit share is recorded as finance lease income in the income statement.

The Participation Bank as a Lessee;

Assets held under finance leases are recognized as assets of the Participation Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. While the corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, profit share amounts are accounted as deferred profit share amounts. Leased assets are followed in tangible assets account and subjected to the same accounting policy.

### XIV. Explanations on Provisions and Contingent Liabilities

Apart from specific and general provisions set for funds given and other receivables, other provisions and contingent liabilities are set based on TAS 37 standard.

Specific and general provision expenses related with profit share accounts which are set by the Participation Bank are met from profit share accounts.

There are 2,037 ongoing suits filed against to the Participation Bank as of balance sheet date. Total amount of these suits are TL 174,272 (31 December 2013: 910 suits, TL 168,231). The Participation Bank set TL 11,565 provision for ongoing suits filed against to the Participation Bank for which cash outflow is probable and measurable (31 December 2013: TL 7,664).

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## XV. Explanations on Liabilities Regarding Employee Benefits

Under the existing Labor Law, the Company is required to pay termination benefits to each employee who earned the right to receive termination indemnities with the end of their employment contract. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 06 March 1981, No. 2422 and 25 August 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain/loss related to employee benefits shall be recognized in other comprehensive income.

Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The average discount rate is 6.00% and share rate is 8.80% at the respective balance sheet date (31 December 2013: 6.20% and 9.50%).

## XVI. Explanations on Taxation

Tax expense is the total amount of current tax expense and deferred tax expense.

Taxable profit is different from the profit on the income statement, due to the fact that it excludes the income and expense items, which can be taxed or deducted in the following periods and the items, which cannot be taxed or deducted, permanently. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability or asset is determined by calculating tax effects of temporary differences between the base amounts of the financial statement and legally enacted tax base amounts of liabilities and assets by using balance sheet method and considering legal tax rates. Deferred tax liabilities are calculated for all the temporary taxable differences, while the deferred tax assets composed of temporary deductible differences, are calculated in case it is highly probable to use these differences in the future to gain taxable profit. Deferred tax liability is not calculated for temporary timing differences, which are arising from the initial entering of assets or liabilities, except for goodwill and mergers, and which do not affect either the commercial or financial profit or loss.

The book value of deferred tax liability is reviewed at each balance sheet date. The book value of the deferred tax is reduced as probability of gaining enough taxable profit decreases.

Deferred tax is calculated at enacted tax rates valid in the period when the assets are formed or liabilities are fulfilled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the group of equity accounts.

A portion of provision directly associated with the equity is offset with related accounts in equity. Therefore, TL 970 deferred tax provision (31 December 2013: TL 7,823) directly associated with the equity is offset with "Revaluation Surplus on Tangible Assets", "Securities Value Increase Fund" and "Other Capital Reserves" accounts in equity as of 31 December 2014.

Current tax liability is offset with prepaid tax amounts due to its association. Deferred tax asset and liability is also offset.

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## XVII. Additional Explanations on Borrowings

Borrowings are recognized in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings except derivatives financial liabilities held for trading are recorded at their purchase costs and discounted by using the internal rate of return. Derivatives financial liabilities held for trading are recorded at their fair value amounts as explained in the accounting policy numbered III.

Funds obtained via the debt certificates issued by the asset leasing company has been presented under funds borrowed.

## XVIII. Explanations on Share Certificates

As per decision has taken by the Extraordinary General Assembly on 29 August 2014, the Bank's share capital will increase by TL 825,000 from TL 1,775,000 to TL 2,600,000. The part of this increase amounting to TL 600,000 will be transferred from general reserve and the remaining part amounting to TL 225,000 will be paid in cash. Cash commitment amounting to TL 100,000 has recorded into capital accounts with the approval of the Banking Regulation and Supervision Agency on 24 October 2014, remaining TL 125,000 has recorded into capital accounts with the approval of the Banking Regulation and Supervision Agency on 19 November 2014. Participation Bank's paid-in capital consists of 2,600,000 shares of TL 1 nominal each.

## XIX. Explanations and Disclosures on Acceptances

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

## XX. Explanations and Disclosures on Government Incentives

There are no government incentives used by the Participation Bank as of balance sheet date.

## XXI. Explanations and Disclosures on Segment Reporting

The Participation Bank operates in individual banking, specific customer current accounts, profit sharing accounts, credit and ATM cards, consumer loans, long term housing and car loans and other individual bank services.

The Participation Bank operates in automatic transfer services, internet banking services, current accounts, profit share accounts, cash/non cash loans, financial leasing, foreign trade transactions, insurance transactions and corporate banking services.

There are not any economic, financial and political factors that affect segmenting of activities and investments. Due to fluctuations in economic situation, investments are affected from instability and available resources are evaluated as liquid.

Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	409,449	1,042,287	(8,448)	-	1,443,288
Net profit of segment <sup>(*)</sup>	33,054	395,746	(3,515)	-	425,285
Profit Before Tax	33,054	395,746	(3,515)	-	425,285
Tax Provision	-	-	-	91,057	91,057
Profit after tax	33,054	395,746	(3,515)	(91,057)	334,228
Net period profit	33,054	395,746	(3,515)	(91,057)	334,228
Assets of segment	4,070,766	20,496,768	7,336,549	1,590,707	33,494,790
Total Assets	4,070,766	20,496,768	7,336,549	1,590,707	33,494,790
Liabilities of segment	9,112,579	11,242,792	9,225,500	760,072	30,340,943
Equity	-	-	-	3,153,847	3,153,847
Total liabilities and equity	9,112,579	11,242,792	9,225,500	3,913,919	33,494,790
Other segment items	-	-	-	54,949	54,949
Depreciation <sup>(**)</sup>	-	-	-	54,138	54,138
Impairment	-	-	-	811	811

<sup>(\*)</sup> Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

<sup>(\*\*)</sup> Depreciation amount of TL 54,138 comprise of TL 32,379 of tangible assets' depreciation, TL 20,819 of intangible assets' depreciation and TL 940 of depreciation for assets held for resale.

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Prior Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	348,093	624,878	209,295	-	<b>1,182,266</b>
Net profit of segment <sup>(*)</sup>	134,736	250,506	27,270	-	<b>412,512</b>
Profit Before Tax	134,736	250,506	27,270	-	<b>412,512</b>
Tax Provision	-	-	-	83,235	<b>83,235</b>
Profit after tax	134,736	250,506	27,270	(83,235)	<b>329,277</b>
Net period profit	134,736	250,506	27,270	(83,235)	<b>329,277</b>
Assets of segment	3,244,040	15,803,412	5,296,392	782,785	<b>25,126,629</b>
Total Assets	3,244,040	15,803,412	5,296,392	782,785	<b>25,126,629</b>
Liabilities of segment	7,762,755	8,848,380	5,465,287	527,826	<b>22,604,248</b>
Equity	-	-	-	2,522,381	<b>2,522,381</b>
Total liabilities and equity	7,762,755	8,848,380	5,465,287	3,050,207	<b>25,126,629</b>
Other segment items	-	-	-	38,610	<b>38,610</b>
Depreciation <sup>(**)</sup>	-	-	-	38,184	<b>38,184</b>
Impairment	-	-	-	426	<b>426</b>

<sup>(\*)</sup> Participation Bank changed the segment definition of clients on January 2014. As a result of this change, some of the clients' status was moved from personal banking to corporate banking. This adjustment caused report in compliance with segments on 31 December 2013 change.

<sup>(\*\*)</sup> Personnel and Administrative expenses were allocated in the ratio of the segment's assets and liabilities.

<sup>(\*\*\*)</sup> Depreciation amount of TL 38,184 comprise of TL 25,659 of tangible assets' depreciation, TL 11,738 of intangible assets' depreciation and TL 787 of depreciation for assets held for resale.

## XXII. Explanations on Other Matters

There are no explanations exist other than the accounting policies stated above.

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## SECTION FOUR

### INFORMATION ON FINANCIAL STRUCTURE

#### I. Explanations and Disclosures Related to the Capital Adequacy Standard Ratio

The Participation Bank's Common Equity Tier I capital ratio is 12.25%, Tier I capital ratio is 11.98%, capital adequacy standard ratio is 12.47% respectively. Capital adequacy ratios are calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28 June 2012, effectiveness date is 1 July 2012, and the calculations are made according to the "Regulation on Equities of Banks" published in the Official Gazette numbered 28756 dated 5 September 2013.

#### Risk Measurement Methods in Calculation of Capital Adequacy Ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette numbered 28337 dated 28 June 2012, effectiveness date is 1 July 2012, and the calculations are made according to "Regulation on Equities of Banks" published in the Official Gazette numbered 28756 dated 5 September 2013.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortization or impairment, are taken into account on a net basis after being reduced by the related amortizations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

The amount subject to credit risk is calculated and reported with Simple Approach, the amount subject to market risk is calculated and reported with the Standard Method and the amount subject to operational risk is calculated and reported with Basic Indicator Method, described in the Communiqué on "Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation") published in the Official Gazette No: 28337 dated 28 June 2012.

In the calculation of counterparty credit risk arising from derivative instruments and marketable securities, "the valuation method according to the fair value" is used in accordance with the Regulation.

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	Risk Weightness								
	Participation Bank								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
The Amount Subject to Credit Risk	6,972,493	-	754,246	10,389,889	6,435,630	12,445,393	239,224	250,919	2,695
Risk Types									
Contingent and Non-Contingent Claims on Sovereigns	5,618,446	-	132,016	2,150,253	-	-	-	-	--
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3	-	28	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	1,863	-	388	457	-	71,141	-	-	--
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	488,826	-	324,237	457,683	-	943	-	-	--
Contingent and Non-Contingent Claims on Corporate Receivables	394,075	-	207,216	-	-	11,259,486	-	-	--
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	253,118	-	90,178	-	6,435,630	104,120	-	-	--
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	-	7,706,247	-	-	-	-	--
Past Due Loans	-	-	-	15,359	-	86,913	-	-	--
Higher-Risk Categories Defined by Agency	-	-	-	57,343	-	18,386	239,224	250,919	2,695
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-	--
Securitization Exposures	-	-	-	-	-	-	-	-	--
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-	-	--
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-	-	-	-	--
Other Claims	216,162	-	183	2,547	-	904,404	-	-	--



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### Summary of the Capital Adequacy Standard Ratio of the Participation Bank

Current period equity calculation is made within the framework of "Regulation Regarding Bank's Equity" published in official Gazette numbered 28756 dated 5 September 2013 and became effective at 1 January 2014.

	<b>Current Period</b>
Required Capital Liabilities for Credit Risk (Main Amount related with Credit Risk*0.08) (RCLCR)	1,878,826
Required Capital Liabilities for Market Risk (RCLMR)	9,568
Required Capital Liabilities for Operational Risk (RCLOR)	142,326
Shareholders' Equity	3,164,601
Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12.5)*100	12.47
Core Capital/((RCLCR+RCLMR+RCLOR) *12.5*100)	11.98
Tier I Capital/((RCLCR+RCLMR+RCLOR) *12.5*100)	12.25
	<b>Prior Period</b>
Required Capital Liabilities for Credit Risk (Main Amount related with Credit Risk*0.08) (RCLCR)	1,431,919
Required Capital Liabilities for Market Risk (RCLMR)	9,194
Required Capital Liabilities for Operational Risk (RCLOR)	118,776
Shareholders' Equity	2,498,204
Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12.5)*100	12.81

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## Information about the shareholders' equity items

	Current Period
<b>TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	2,600,000
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	108,015
Other Comprehensive Income according to TAS	48,071
Profit	417,232
Net Current Period Profit	334,228
Prior Period Profit	83,004
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier I Capital Before Deductions</b>	<b>3,173,318</b>
<b>Deductions From Tier I Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	15,803
Leasehold Improvements on Operational Leases (-)	31,521
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	9,833
Net Deferred tax assets/liabilities (-)	7,325
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I 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 above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total regulatory adjustments to Tier 1 capital</b>	<b>64,482</b>
<b>Tier 1 capital</b>	<b>3,108,836</b>

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<b>ADDITIONAL CORE CAPITAL</b>	<b>Current Period</b>
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	-
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core 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 above 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 to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	39,332
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	29,301
<b>Total Core Capital</b>	<b>3,040,203</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	127,008
<b>Tier II Capital before Deductions</b>	<b>127,008</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II 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 above 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 to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>127,008</b>

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<b>CAPITAL</b>	<b>Current Period</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	2,583
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	27
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,164,601</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	
Remaining 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	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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	Prior period
<b>CORE CAPITAL</b>	
Paid-in capital	1,775,000
Nominal capital	1,775,000
Capital commitments (-)	-
Adjustment to paid-in capital	-
Share Premiums	-
Share Cancellation Profits	-
Transfers from reserves	365,284
Reserves from Inflation Adjustments	-
Profit	329,277
Net current period profit	329,277
Prior period profit	-
Provisions for possible losses up to 25% of core capital	-
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Loss that is not covered with reserves (-)	-
Net current period loss	-
Prior period loss	-
Leasehold improvements (-)	29,884
Intangible assets (-)	37,149
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
<b>Total Core Capital</b>	<b>2,402,528</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General reserves	93,950
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	40,327
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of marketable securities and investment securities value increase fund	(36,795)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal, status and extraordinary reserves)	-
<b>Total Supplementary Capital</b>	<b>97,482</b>
<b>CAPITAL</b>	<b>2,500,010</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>1,806</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
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	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	1,767
Securitization positions deducted from preferred equity	-
Other	39
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,498,204</b>

(\*) Actuarial losses amount to TL 13,362 are represented under other capital reserves which are accounted under other reserves

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## The Approaches for Internal Capital Adequacy Assessment Process about Current and Future Activities

The internal capital adequacy assessment process is carried out by taking into account characteristics of operations, scale, risk profile, complexity, capital structure and 3 years strategic plans of the Participation Bank within the framework of “The Regulation on the Internal System of Banks”, “Guidance on the Internal Capital Adequacy Assessment Process (ICAAP) Report”, and related legislations. According to Internal Capital Adequacy Assessment Process, identification, measurement, management and monitoring processes of all significant risks that the Participation Bank has been exposed in the existing case and may be exposed in the future depending on the strategic plans, have been specified. For this reason, not only the credit, market and operational risks but also profit share rate risk caused by accounting system of banks, liquidity risk, concentration risk, data risk, residual risk, reputational risk, business risk, strategic risk, compliance risk, country risk and transfer risk which directly affect the capital adequacy ratio are included in this assessment process. By ICAAP the Bank aims to establish an appropriate risk management process and develop this process continually for new identified risks. In this context, the participation bank’s current and future capital requirements are analyzed together with the bank’s strategic objectives. Participation Bank aims to manage its current and future liquidity position with taking into account the assets and liabilities currency types and terms in a prudent and proactive manner. With stress tests and scenario analysis the bank’s potential losses that may be incurred, the methods of estimating the level of capital adequacy to afford these losses and as a result of assessments actions needed to maintain adequate capital levels are determined. Also according to Internal Capital Adequacy Assessment Process the Bank’s operations, strategic plan, capital and liquidity planning, stress tests and result of Internal Capital Adequacy Assessment Process, taking into consideration the risk appetite of the structure are determined. Thus, as a result of the present situation, risk appetite structure, strategic planning and stress tests evaluation, future capital requirements are intended to be analyzed together with the strategic objectives. Additionally, management and monitoring of the bank operations and including of the senior management into these processes are forcing by defining risk appetite for important risks in the general of the bank. Internal Capital Adequacy Assessment Process is taken on as a developing process and the areas of a scheme of development are determining and the operation plans are forming.

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## II. Explanations and Disclosures Related to Credit Risk

Credit risk is the risk of a counter party with whom the Participation Bank has a commercial relation. This risk represents the losses of the Participation Bank when its counter party can not conform to a signed contract by disregarding the related obligations partially or totally in specified periods.

Credit worthiness of loan customers are monitored and reviewed by the Credit Allocation Department of the Participation Bank semiannually or annually in accordance with the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions". The account statements are obtained based on the prevailing regulations. Credit limits are determined by the Board of Directors, the Credit Committee of the Participation Bank and the Credit Administration. The Participation Bank obtains guarantees for its loans and other receivables. Guarantees received comprised of real and legal person sureties with a high credibility, bonds issued with guarantees of Treasury, Privatization Administration and Housing Development Administration of Turkey, securities issued with the guarantees of central governments and central banks of OECD countries, European Central Bank and securities issued with this Bank's guarantee, gold and other precious metals, investment equity shares listed on the stock exchange, asset based securities, private sector bonds, letters of guarantee and other guarantees by the banks, guarantees of banks operating in OECD countries, the guarantees of central governments and central banks of OECD countries, transfer or pledge of claims arise from public institutions, customer check, vehicle pledges, export documents, pledge of assets, hypothecs such as ship, aircraft and real estate and cash blockages.

In case of any significant credit risk exposure, the Participation Bank do not use forward, option or similar kind of contracts to reduce these risks by exercising their rights, fulfilling their obligations or selling them.

Indemnified non-cash loans are subject to the same risk weight with the unpaid cash loans although their maturity was due.

The risk of the Participation Bank from its top 100 and top 200 cash loan customers share in total cash loans ratios are 13.79% and 19.69% (31 December 2013: 13.88% and 20.34%).

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The risk of the Participation Bank from its top 100 and top 200 non-cash loan customers share in total non-cash loan ratios are 27.23% and 37.11% (31 December 2013: 29.14% and 39.85%).

The cash receivables of the Bank from its top 100 and top 200 loan customers shares in total balance sheet assets are 9.91% and 14.15% (31 December 2013: 10.04% and 14.71%).

The non-cash receivables of the Participation Bank from its top 100 and top 200 loan customers shares in total non-cash loan ratios are 0.82% and 1.11% (31 December 2013: 0.97% and 1.33%).

The Participation Bank's general provision amount for its credit risk is TL 199,612 (31 December 2013: TL 150,439).

<b>Risk Classifications</b>	<b>Current Period Risk Amount <sup>(*)</sup></b>	<b>Average Risk Amount</b>
Contingent and Non-Contingent Claims on Sovereigns	7,768,699	7,349,804
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	31	31
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	73,881	40,262
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1,263,347	643,908
Contingent and Non-Contingent Claims on Corporate Receivables	11,881,901	10,762,530
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	6,990,324	5,691,731
Contingent and Non-Contingent Claims Secured by Residential Property	7,706,247	6,539,684
Past Due Loans	102,415	83,138
Higher-Risk Categories Defined by Agency	579,986	391,068
Collateralized Mortgage Marketable Securities	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	-	-
Other Claims	1,123,658	990,747

<sup>(\*)</sup> Includes to risk amounts before credit risk mitigation but after credit conversions.



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## Risk Profile According to the Geographical Concentration

		Risk Classifications*			
		Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary
	<b>Current Period</b>				
1	Domestic	7,768,699	31	73,881	483,554
2	EU countries	-	-	-	665,157
3	OECD countries **	-	-	-	3,607
4	Off-shore banking regions	-	-	-	-
5	USA, Canada	-	-	-	51,269
6	Other countries	-	-	-	59,760
7	Investment and associates, subsidiaries and joint ventures	-	-	-	-
8	Undistributed Assets/Liabilities***	-	-	-	-
9	<b>Total</b>	<b>7,768,699</b>	<b>31</b>	<b>73,881</b>	<b>1,263,347</b>
	<b>Prior Period</b>				
1	Domestic	5,678,069	29	20,631	864,489
2	EU countries	-	-	-	34,951
3	OECD countries **	-	-	-	6,543
4	Off-shore banking regions	-	-	-	-
5	USA, Canada	-	-	-	46,473
6	Other countries	-	-	-	40,093
7	Investment and associates, subsidiaries and joint ventures	-	-	-	-
8	Undistributed Assets/Liabilities***	-	-	-	-
9	<b>Total</b>	<b>5,678,069</b>	<b>29</b>	<b>20,631</b>	<b>992,549</b>

\* Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

\*\* OECD Countries other than EU countries, USA and Canada.

\*\*\* Includes assets and liabilities items that can not be allocated on a consistent basis.

**Risk Classifications\***

	Contingent and Non-Contingent Claims on Corporate Receivables	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Other Claims	Total
	11,664,687	6,978,271	7,683,501	102,415	546,200	1,123,601	36,424,840
	126,186	4,404	10,685	-	76	54	806,562
	807	2	549	-	-	-	4,965
	3,000	41	1,712	-	-	1	4,754
	442	137	188	-	1	1	52,038
	86,779	7,469	9,612	-	33,709	1	197,330
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>11,881,901</b>	<b>6,990,324</b>	<b>7,706,247</b>	<b>102,415</b>	<b>579,986</b>	<b>1,123,658</b>	<b>37,490,489</b>
	10,099,830	4,579,143	5,470,902	67,759	318,082	743,565	27,842,499
	24,716	5,268	2,363	-	307	1	67,606
	781	85	419	-	-	-	7,828
	4,827	-	-	-	-	-	4,827
	8	182	473	-	-	-	47,136
	79,350	4,276	3,249	-	15,630	1	142,599
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>10,209,512</b>	<b>4,588,954</b>	<b>5,477,406</b>	<b>67,759</b>	<b>334,019</b>	<b>743,567</b>	<b>28,112,495</b>

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## Risk profile by sectors or counterparties

	Sectors/Counterparties	Risk Classifications <sup>(*)</sup>					
		1	2	3	4	5	6
1	<b>Agriculture</b>	-	-	-	-	262,921	83,796
1.1	Farming and Stockbreeding	-	-	-	-	262,921	83,796
1.2	Forestry	-	-	-	-	-	-
1.3	Fishery	-	-	-	-	-	-
2	<b>Manufacturing</b>	-	6	61,330	-	4,535,183	1,519,586
2.1	Mining	-	6	58,840	-	306,444	46,325
2.2	Production	-	-	80	-	3,691,893	1,458,824
2.3	Electricity, Gas, Water	-	-	2,410	-	536,846	14,437
3	<b>Construction</b>	-	-	-	-	2,033,529	866,421
4	<b>Services</b>	7,768,699	8	9,380	1,263,347	4,548,067	2,897,884
4.1	Wholesale and Retail Trade	-	-	3	-	2,743,395	2,307,144
4.2	Hotel, Food and Beverage Services	-	-	-	-	256,166	43,264
4.3	Transportation and Telecommunication	-	-	-	-	581,099	178,180
4.4	Financial Institutions	7,768,699	-	-	1,263,347	49,500	6,756
4.5	Real Estate and Renting Services	-	8	36	-	735,740	290,198
4.6	"Self-Employment" Type Services	-	-	-	-	-	-
4.7	Educational Services	-	-	9,327	-	72,569	13,221
4.8	Health and Social Services	-	-	14	-	109,598	59,121
5	<b>Other</b>	-	17	3,171	-	502,201	1,622,637
6	<b>Total</b>	7,768,699	31	73,881	1,263,347	11,881,901	6,990,324

1- Contingent and Non-Contingent Claims on Sovereigns

2- Contingent and Non-Contingent Claims on Regional Governments and Local Authorities

3- Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises

4- Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary

5- Contingent and Non-Contingent Claims on Corporate Receivables

6- Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios

7- Contingent and Non-Contingent Claims Secured by Residential Property

8- Past Due Loans

9- Higher-Risk Categories Defined by Agency

10- Other Claims

(\*) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

	Risk Classifications (*)						
	7	8	9	10	TC	FC	Total
	<b>76,143</b>	<b>2,428</b>	<b>455</b>	<b>515</b>	<b>386,282</b>	<b>39,976</b>	<b>426,258</b>
	76,143	2,428	455	515	386,282	39,976	426,258
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>1,051,946</b>	<b>22,763</b>	<b>39,532</b>	<b>1,935</b>	<b>5,256,217</b>	<b>1,976,064</b>	<b>7,232,281</b>
	32,236	742	1,602	64	408,395	37,864	446,259
	970,331	20,155	37,920	1,766	4,469,577	1,711,392	6,180,969
	49,379	1,866	10	105	378,245	226,808	605,053
	<b>1,583,504</b>	<b>18,856</b>	<b>12,752</b>	<b>1,716</b>	<b>3,897,792</b>	<b>618,986</b>	<b>4,516,778</b>
	<b>2,292,921</b>	<b>36,457</b>	<b>56,836</b>	<b>1,057,687</b>	<b>12,648,852</b>	<b>7,282,434</b>	<b>19,931,286</b>
	1,498,122	28,931	38,081	3,131	5,919,999	698,808	6,618,807
	164,026	609	336	206	294,649	169,958	464,607
	146,912	1,536	2,321	263	669,937	240,374	910,311
	5,810	27	14,124	1,053,834	4,211,333	5,950,764	10,162,097
	339,568	5,224	1,786	203	1,157,207	215,556	1,372,763
	-	-	-	-	-	-	-
	78,779	4	76	10	173,932	54	173,986
	59,704	126	112	40	221,795	6,920	228,715
	<b>2,701,733</b>	<b>21,911</b>	<b>470,411</b>	<b>61,805</b>	<b>5,113,278</b>	<b>270,608</b>	<b>5,383,886</b>
	<b>7,706,247</b>	<b>102,415</b>	<b>579,986</b>	<b>1,123,658</b>	<b>27,302,421</b>	<b>10,188,068</b>	<b>37,490,489</b>

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### Analysis of maturity-bearing exposures according to remaining maturities

Risk Classifications*	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
1 Contingent and Non-Contingent Claims on Sovereigns	3,259,117	378,389	-	305,851	1,645,567
2 Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	8
3 Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	32,312	-	29,364	629	11,105
4 Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2,394	4	128	138,292	549,594
5 Contingent and Non-Contingent Claims on Corporate Receivables	779,836	1,367,284	1,719,672	2,236,870	5,693,422
6 Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	588,194	678,116	1,140,843	1,488,320	2,943,313
7 Contingent and Non-Contingent Claims Secured by Residential Property	157,992	304,372	516,769	1,078,294	5,626,255
8 Past Due Loans	102,414	-	-	-	-
9 Higher-Risk Categories Defined by Agency	98,318	2,061	2,808	10,403	466,385
10 Other Claims	5,743	-	-	-	-
<b>TOTAL</b>	<b>5,026,320</b>	<b>2,730,226</b>	<b>3,409,584</b>	<b>5,258,659</b>	<b>16,935,649</b>

(\*) Includes to risk amounts before credit risk mitigation but after credit conversions.

### Risk balances according to risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from the shareholders' equity
1 Pre-Amount of Credit Risk Mitigation	5,834,608	-	812,744	6,404,355	8,424,638	15,434,158	294,214	281,452	4,320	-
2 Amount after Credit Risk Mitigation	6,972,493	-	754,246	10,389,889	6,435,630	12,445,393	239,224	250,919	2,695	-

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## Information by Major Sectors and Type of Counterparties:

*Impaired Credits;* are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

*Past Due Credits;* are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation.

	Major Sectors/Counterparties	Credits			
		Impaired Credits	Past Due Credits	Value Adjustments	Provisions
1	<b>Agriculture</b>	<b>16,066</b>	<b>11,934</b>	<b>3,347</b>	<b>7,808</b>
1.1	Farming and Stockbreeding	16,059	11,934	3,347	7,801
1.2	Forestry	1	-	-	1
1.3	Fishery	6	-	-	6
2	<b>Manufacturing</b>	<b>153,364</b>	<b>174,084</b>	<b>49,386</b>	<b>99,568</b>
2.1	Mining	3,290	24,991	3,425	1,065
2.2	Production	147,133	147,940	42,856	96,505
2.3	Electricity, Gas, Water	2,941	1,153	3,105	1,998
3	<b>Construction</b>	<b>106,193</b>	<b>140,837</b>	<b>31,659</b>	<b>70,594</b>
4	<b>Services</b>	<b>243,499</b>	<b>304,503</b>	<b>83,239</b>	<b>147,897</b>
4.1	Wholesale and Retail Trade	211,116	186,692	61,342	130,525
4.2	Hotel, Food and Beverage Services	2,104	6,372	2,838	1,069
4.3	Transportation and Telecommunication	6,235	73,895	7,764	2,067
4.4	Financial Institutions	2,013	366	315	1,960
4.5	Real Estate and Renting Services	21,044	29,711	7,696	11,528
4.6	“Self-Employment” Type Services	-	-	-	-
4.7	Educational Services	50	4,673	1,486	23
4.8	Health and Social Services	937	2,794	1,798	725
5	<b>Other</b>	<b>78,195</b>	<b>135,861</b>	<b>31,981</b>	<b>42,980</b>
6	<b>Total</b>	<b>597,317</b>	<b>767,219</b>	<b>199,612</b>	<b>368,847</b>

## Information about Value Adjustments and Changes in the Loan Impairment:

		The opening balance	Provision amounts set aside during the period	The cancelation of the provisions**	Other adjustments*	Close out balance
1	Specific Provisions	323,821	220,188	(176,645)	1,483	368,847
2	General Provisions	150,439	49,651	(1,480)	1,002	199,612

(\*) Determined according to exchange rate differences.

(\*\*) The part of TL 176,645 amounting to 121,878 is write-off amount and loans sold to asset management company

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The credit quality of financial assets as of 31 December 2014 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,502,277	-	5,502,277
Financial assets at fair value through profit and loss	26,110	-	26,110
Financial asset available for sale	1,761,405	-	1,761,405
Loans (*)	24,063,493	597,317	24,660,810
Corporate loans	7,407,665	231,787	7,639,452
Loans to SMEs	12,282,625	305,276	12,587,901
Consumer loans	4,373,203	60,254	4,433,457
Other	-	-	-
Total	31,353,285	597,317	31,950,602

(\*) Leasing receivables are also included in loans.

The credit quality of financial assets as of 31 December 2013 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	4,635,667	-	4,635,667
Financial assets at fair value through profit and loss	46,669	-	46,669
Financial asset available for sale	1,408,649	-	1,408,649
Loans (*)	18,172,359	441,072	18,613,431
Corporate loans	6,431,976	192,451	6,624,427
Loans to SMEs	8,369,896	211,892	8,581,788
Consumer loans	3,370,487	36,729	3,407,216
Other	-	-	-
Total	24,263,344	441,072	24,704,416

(\*) Leasing receivables are also included in loans.

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## Information on Risk Classifications

Risk classifications of receivables from countries or central banks are regarded by grade of Fitch Ratings, global credit rating institution, whereas other institutions remaining outside of Fitch Ratings are subject to the credit ratings country risk classification issued by Organization of Economic Corporation and Development. In case credit rating grades of institutions like Standard & Poor's (S&P), Moody's and Fitch Ratings are available, grades are in use together. Corporate receivables from counterparties are settled abroad with other risk classes, corporate receivables from residents and receivables from banks are accepted as "gradeless". Credit quality grades corresponding to score of Fitch Ratings, Moody's and Standard & Poor's are shown below.

Ratings to be matched	Credit Quality Grade	Fitch	Moody's	S&P
Long term credit ratings	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ to B-	B1 to B3	B+ to B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Short term credit ratings	1	F1+ to F1	P-1	A-1+ to A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	4	below F3	NP	below A-3
	5	—	—	—
	6	—	—	—
Long term securitization positions ratings	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ and below	B1 and below	B+ and below
Short term securitization positions ratings	1	F1+ to F1	P-1	A-1+ to A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	Others	below F3	NP	below A-3
Match for collective investment undertakings	1	AAA to AA-	Aaa to Aa3	FCQR: AAAf to AA-f; PSFR: AAAm to AA-m
	2	A+ to A-	A1 to A3	FCQR: A+f to A-f; PSFR: A+m to A-m
	3	BBB+ to BBB-	Baa1 to Baa3	FCQR: BBB+f to BBB-f; PSFR: BBB+m to BBB-m
	4	BB+ to BB-	Ba1 to Ba3	FCQR: BB+f to BB-f; PSFR: BB+m to BB-m
	5	B+ to B-	B1 to B3	FCQR: B+f to B-f; PSFR: B+m to B-m
	6	CCC+ and below	Caa1 and below	FCQR: CCC+f and below; PSFR: CCC+m and below

FCQR: Fund Credit Quality Ratings.

PSFR: Principal Stability Fund Ratings.



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### Credit Rating System

The credit risk is assessed through the internal rating system of the Participation Bank. Credits listed from the best ratings (high) to the lowest degrees (below standard) presented below; also in the bottom of the table, non-performing loans (impaired loans) is presented.

Current period <sup>(*)</sup>	Historical Default Rates %	Total <sup>(*)</sup>
High	0.99%	17,827,830
Standard	1.36%	9,925,604
Below Standard	8.06%	55,733
Non-performing Loans	-	597,317
Not Graded	3.31%	6,902,743
<b>Total</b>	-	<b>35,309,227</b>

<sup>(\*)</sup> The amounts comprise of loans, leasing receivables and commitments and contingencies.

<sup>(\*)</sup> Default ratios are the rate of non-performing loans (impaired loans) in 2014 to loans given in 2014.

The category "High" means that the borrower has a strong financial structure; the category "Standard" means that the borrower has a good and sufficient financial structure, and the category "Below Standard" means that the borrower's financial structure is under risk in the medium and short term.

### Carrying values of rescheduled financial assets:

	Current Period	Prior Period
Banks	-	-
Financial assets at fair value through profit and loss	-	-
Loans	6,528	29,760
Corporate loans	831	8,449
Loans to SMEs	5,697	21,288
Consumer loans	-	23
Other	-	-
<b>Total</b>	<b>6,528</b>	<b>29,760</b>

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## III. Explanations and Disclosures Related to Market Risk

The amount subject to market risk is calculated and reported with the Standard Method described in Article 2 of Section 2 of the Communiqué on “Measurement and Assessment of Banks’ Capital Adequacy” published in the Official Gazette No: 28337 dated 28 June 2012. Market risk is measured on a monthly basis.

### 1.1 Information on the market risk

	<b>Amount</b>
(I) Capital requirement to be employed for general market risk - Standard method	937
(II) Capital requirement to be employed for specific risk - Standard method	-
(III) Standard method for specific risk of necessary capital requirement on securitization positions	-
(IV) Capital requirement to be employed for currency risk - Standard method	4,607
(V) Capital requirement to be employed for commodity risk - Standard method	2,418
(VI) Capital requirement to be employed for settlement risk - Standard method	-
(VII) Total capital requirement to be employed for market risk resulting from options-Standard method	-
(VIII) Counterparty credit risk capital requirement - Standard method	1,606
(IX) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(X) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII+VIII)	9,568
(XI) Market Value at Risk (12.5 x IX) or (12.5 x X)	119,604

### 1.2. Monthly average values at market risk

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	833	1,427	389	796	1,394	263
Common Share Risk	-	-	-	-	-	-
Currency Risk	3,424	4,890	2,492	2,897	4,348	1,722
Stock Risk	2,244	3,242	1,543	2,120	2,406	1,646
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	1,772	3,725	1,024	1,552	3,664	496
<b>Total Value at Risk</b>	<b>103,421</b>	<b>138,029</b>	<b>78,852</b>	<b>92,068</b>	<b>135,966</b>	<b>59,427</b>

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## 2. Quantitative information on counterparty risk

### The Methods Related Credit Limits, Internal Capital Allocation and Distribution for Counterparty Risk

Credibility measure, limit allocation, the authorities and responsibilities of the users involved in the processes for transactions subjected to counterparty risk were determined in the Bank's internal policies.

Within the scope of counterparty risk, the creditworthiness of customers are evaluated according to their ability in compliance with international and national legislations, the ratings taken from independent rating agencies, their operations, geographical regions and countries, the legislation, economic and social status of the region and countries as well as the customers financial information. Criterias which are regarding to transactions with customers according to considerations results (amount, maturity, exception etc.), are determined based on the rules of bank's internal policies and processes.

Collaterals for transactions with customers related the counterparty credit risks, when necessary providing additional collaterals and also provision policies are assessed in the scope of the Participation Bank's credit policies.

The bank does not have a policy for opposite tendency risk mentioned in the Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 2.

### Positive fair value of agreements, benefits of netting off, netted current risk amount, indemnities and net derivative position

The counterparty risk of trading books for derivative financial instruments is calculated by fair use valuation method within the framework of Regulation on Measurement and Evaluation of Capital Adequacy of Banks in Annex-2. The renewal costs of contracts with positive values are determined by valuation based on the fair value of the contracts. Potential credit risk is calculated by multiplying credit conversion rates with contract amounts mentioned in the Regulation Annex-2. Total amount of counterparty risk is calculated by summing of the renewal costs of contracts with positive values and the potential credit risk of all contracts.

Information About Counterparty Risk	Balance
Contracts based on Interest rate	-
Contracts based on currency	3,739,823
Contracts based on commodity	36,462
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	39,951
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	66,061

In the scope of trading books, there is not any securement is traded with loan derivatives, from the Participation Bank.

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## IV. Explanations and disclosures related to operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Section 3 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012. The value at operational risk used in the calculation of Capital Adequacy Standard Ratio is computed with the data dated 31 December 2013, 31 December 2012 and 31 December 2011.

	2 PP value (2011)	1 PP value (2012)	CP value (2013)	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	758,123	982,944	1,105,454	948,840	15	142,326
Amount subject to operational risk (Total*12.5)					-	1,779,076

## V. Explanations and Disclosures Related to Currency Risk

Currency risk is included in foreign currency buying/selling portfolio so that how available position affects the general risk profile is calculated. Sensitivity analysis made by RMD results and stress tests are reported to top management.

The Participation Bank centralized currency risk and ensured the managing and bearing of all currency risk by Fund Management. Other profit centers transfers the currency risk on them to Fund Management and the risk is followed in foreign currency buying/selling portfolio.

The Participation Bank efforts not to take short position based on the foreign currency risk. When any currency risk is occurred due to customer transactions, currency risk is eliminated by taking reverse position.

Foreign exchange buying rates of the Participation Bank at the date of the balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	2,8207	2,3189
31 December 2014	2,8207	2,3189
30 December 2014	2,8339	2,3235
29 December 2014	2,8255	2,3182
26 December 2014	2,8368	2,3177
25 December 2014	2,8312	2,3209
24 December 2014	2,8317	2,3165

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The Participation Bank's average foreign currency buying rate over a period of thirty days preceding the date of the financial statement is in the table below:

1 USD	2.2877 TL
1 EUR	2.8217 TL

Information on currency risk of the Participation Bank: Foreign Currencies (Thousands of TL)

	EUR	USD	Other FC	Total
<b>Current Period</b>				
Assets				
Cash and Balances with the Central Bank of Turkey	181,317	3,323,910	765,972	4,271,199
Banks	49,550	397,053	40,512	487,115
Financial Assets at Fair Value through Profit/Loss <sup>(4)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	145	831,415	-	831,560
Loans <sup>(1)</sup>	2,438,145	5,365,692	-	7,803,837
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Investments Held to Maturity	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(2)</sup>	485,486	285,988	399	771,873
<b>Total Assets</b>	<b>3,154,643</b>	<b>10,204,058</b>	<b>806,883</b>	<b>14,165,584</b>
Liabilities	-	-	-	-
Funds Collected from Banks Via Current and Profit Sharing Accounts	231,835	39,651	300	271,786
Current and Profit Sharing Accounts	1,945,729	3,906,134	545,183	6,397,046
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	540,340	6,425,331	1,052,941	8,018,612
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	28,267	130,746	4,228	163,241
Derivative Financial Liabilities Held for Risk Management <sup>(6)</sup>	-	-	-	-
Other Liabilities <sup>(3)</sup>	23,997	48,149	688	72,834
<b>Total Liabilities</b>	<b>2,770,168</b>	<b>10,550,011</b>	<b>1,603,340</b>	<b>14,923,519</b>
Net Balance Sheet Position	384,475	(345,953)	(796,457)	(757,935)
Net Off Balance Sheet Position	(379,749)	344,425	798,544	763,220
Financial Derivative Assets	665,041	2,228,544	1,299,347	4,192,932
Financial Derivative Liabilities	1,044,790	1,884,119	500,803	3,429,712
Non-Cash Loans <sup>(5)</sup>	1,206,424	3,081,849	101,464	4,389,737

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	EUR	USD	Other FC	Total
<b>Prior Period</b>				
Total Assets	2,761,199	7,274,849	658,624	10,694,672
Total Liabilities	2,030,501	7,969,408	686,079	10,685,988
Net Balance Sheet Position	730,698	(694,559)	(27,455)	8,684
Net Off Balance Sheet Position	(732,883)	666,557	42,098	(24,228)
Financial Derivative Assets	583,662	1,989,956	332,471	2,906,089
Financial Derivative Liabilities	1,316,545	1,323,399	290,373	2,930,317
Non-Cash Loans <sup>(5)</sup>	1,143,731	2,327,049	67,176	3,537,956

<sup>(1)</sup> Loans given includes foreign currency indexed loans given as foreign currency indexed but followed in TL accounts amounting to TL 6,405,900.

<sup>(2)</sup> Other assets comprise of receivables from leasing operations, sundry debtors and other assets. Besides, foreign currency indexed leasing receivables (Principle, exchange rate differences, rediscount and accruals) amounting to TL 730,015 and foreign currency indexed closely monitored loans amounting to TL 13,479 are included to other assets. Besides, prepaid expenses amounting to TL 233 is deducted from other assets.

<sup>(3)</sup> Other liabilities include general loan loss provision set for foreign currency denominated and foreign currency indexed loans amounting to TL 16,930 TL. Besides, accrual of derivative financial liabilities held for trading amounting to TL 4,724 and rediscount on spot transaction amounting to TL 275 are deducted from other liabilities. Besides, securities value increase fund amounting to TL 271 is added into other liabilities.

<sup>(4)</sup> Accrual of derivative financial assets held for trading amounting to TL 16,607 is deducted from financial assets at fair value through profit or loss.

<sup>(5)</sup> No effect on net off balance sheet position.

<sup>(6)</sup> Derivative financial liabilities held for risk management does not include TL 51,547 which shown in foreign exchanges on financial statements.

## Foreign currency sensitivity

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

The following table details the Participation 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 TL strengthens 10% against USD and EUR. This analysis has been prepared with the assumption that all other variables remain constant.

	Change in currency rate in %*	Effect on profit/(loss)		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	(153)	(2,800)	(645)	(805)
EUR	10%	473	(219)	473	(219)
Other FC	10%	209	1,464	209	1,464

<sup>(\*)</sup> Includes the profit/(loss) effect in the case of a change for 10% in currency rates.

## VI. Explanations and disclosures related to interest rate risk

Since the Participation Bank has interest-free banking operations, it does not have any interest sensitive asset or liability and consequently, it does not have any interest rate risk.

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### VII. Explanations and Disclosures Related to Equity Position Risk due from Banking Book

Comparison of carrying, fair value and market value of shares is stated below:

	Investment in Shares	Comparison		
		Carrying Value	Fair Value	Market Value
<b>1</b>	<b>Securities Available-for-Sale</b>	<b>4,370</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-
<b>2</b>	<b>Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-
<b>3</b>	<b>Subsidiaries</b>	<b>100</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-

### VIII. Explanations and Disclosures Related to Liquidity Risk

The TL and FC liquidity need of the Participation Bank is met by the funds collected, when needed, certain amount of funds from abroad are used via syndication loans. The Participation Bank's cash inflows mainly come from profit share income and commissions earned from non-cash loans whereas the cash outflows mainly consist of profit share expenses given to the collected funds and operational expenses. Main reason of the liquidity risk is funding long-term assets with short-term resources. The Participation Bank uses its liquidity in foreign investments for one or two weeks in order to maintain regular cash inflows and collects loan installments monthly. Procedures for liquidity risk method and urgent action plan are available for the Participation Bank.

The ratios of liquid assets to total assets and liquid assets to funds collected are 23.08% (31 December 2013: 24.87%) and 40.45% (31 December 2013: 41.28%), respectively. Cash demands occurred in every maturity segment are determined via maturity dispersion (Gap) analysis. It is enforced to have short term liquid assets and long term liabilities. As of 31 December 2014 it is seen that 15.40% of total assets are in cash and cash equivalents (31 December 2013: 15.27%) and 1.71% of total assets are in banks (31 December 2013: 3.80%) in financial statements.

Condensation of funds collected to one month predominantly and having long term loans perceived as a threat as in the general conditions of Turkish banking system. In order to decrease related risk to minimum, the Participation Bank enforces to be liquid in up to one month group.

As per the BRSA Communiqué, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly (7 days) and monthly (31 days) liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The liquidity ratios of the years 2014 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	255.86	154.16	164.15	114.61
Maximum (%)	370.61	181.08	191.28	122.98
Minimum (%)	148.60	116.13	135.38	100.95

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## Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Unallocated (*)	Total
<b>Current Period</b>								
Assets	-	-	-	-	-	-	-	-
Cash and Balances with the Central Bank of Turkey	5,156,624	-	-	-	-	-	-	5,156,624
Banks and Other Financial Institutions	572,606	-	-	-	-	-	-	572,606
Financial Assets at Fair Value through Profit/Loss	-	23,645	1,888	577	-	-	-	26,110
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available for Sale	4,370	2,115	505,118	298,644	1,012,479	153,428	-	1,976,154
Loans	-	2,662,048	3,849,676	8,471,796	7,126,806	717,626	-	22,827,952
Investments Held to Maturity	-	-	18,400	-	550,000	-	-	568,400
Other Assets (**)	372,605	33,065	69,693	309,914	813,854	9,015	758,798	2,366,944
<b>Total Assets</b>	<b>6,106,205</b>	<b>2,720,873</b>	<b>4,444,775</b>	<b>9,080,931</b>	<b>9,503,139</b>	<b>880,069</b>	<b>758,798</b>	<b>33,494,790</b>
Liabilities	-	-	-	-	-	-	-	-
Funds Collected from Banks via Current and Profit Sharing Accounts	7,453	368,460	7,585	1,269	-	-	-	384,767
Current and Profit Sharing Accounts	4,290,192	11,225,549	2,220,038	968,706	23,504	4	-	18,727,993
Funds Provided from Other Financial Institutions	-	257,022	900,442	2,624,250	4,787,701	-	-	8,569,415
Money Market Deposits	-	652,629	-	-	-	-	-	652,629
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	816,127	132,209	-	-	-	-	-	948,336
Other Liabilities (***)	423,768	43,988	181,708	2,452	51,911	-	3,507,823	4,211,650
<b>Total Liabilities</b>	<b>5,537,540</b>	<b>12,679,857</b>	<b>3,309,773</b>	<b>3,596,677</b>	<b>4,863,116</b>	<b>4</b>	<b>3,507,823</b>	<b>33,494,790</b>
Liquidity Gap	568,665	(9,958,984)	1,135,002	5,484,254	4,640,023	880,065	(2,749,025)	-
<b>Prior Period</b>								
Total Assets	5,084,473	2,245,687	2,858,529	7,126,865	6,868,035	528,561	414,479	25,126,629
Total Liabilities	4,533,554	9,601,587	2,448,914	2,615,807	3,094,097	-	2,832,670	25,126,629
Liquidity Gap	550,919	(7,355,900)	409,615	4,511,058	3,773,938	528,561	(2,418,191)	-

(\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans are included in this column.

(\*\*) Other assets include net finance lease receivables amounting to TL 1,235,541 and non-performing loans (net) amounting to TL 228,470.

(\*\*\*) Shareholders' equity and provisions is included in "other liabilities" line under "unallocated" column.



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Analysis of financial liabilities based on the remaining contractual maturities:

The table below is drawn up based on the undiscounted contractual maturities and earliest payment dates of the financial liabilities. Profit share expenses to be paid on such liabilities are included in this table. "Adjustments" column is the difference between the balance sheet values and undiscounted values of financial liabilities. These items are not included in the balance sheet value of such financial liabilities.

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
Funds Collected from Banks Via Profit Sharing Accounts	7,453	368,460	7,585	1,269	-	-	-	384,767
Other Profit Sharing Accounts	4,290,192	11,225,549	2,220,038	968,706	23,504	4	-	18,727,993
Funds Provided from Other Financial Institutions	-	257,141	928,342	2,863,609	5,376,195	-	(855,872)	8,569,415
Money Market Deposits	-	653,056	-	-	-	-	(427)	652,629
Miscellaneous Payables	816,127	132,209	-	-	-	-	-	948,336
Other Liabilities	20,669	-	145,644	-	-	-	(2,044)	164,269
<b>Total</b>	<b>5,134,441</b>	<b>12,636,415</b>	<b>3,301,609</b>	<b>3,833,584</b>	<b>5,399,699</b>	<b>4</b>	<b>(858,343)</b>	<b>29,447,409</b>
<b>Prior Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Adjustments</b>	<b>Total</b>
Funds Collected from Banks Via Profit Sharing Accounts	12,066	337,053	1,498	-	-	-	-	350,617
Other Profit Sharing Accounts	3,428,341	8,185,399	1,871,688	1,214,126	91,547	-	-	14,791,101
Funds Provided from Other Financial Institutions	-	221,588	564,962	1,465,900	3,082,491	-	(168,932)	5,166,009
Money Market Deposits	-	721,560	-	-	-	-	-	721,560
Miscellaneous Payables	543,874	91,104	-	-	-	-	-	634,978
Other Liabilities	224,706	-	-	-	-	-	-	224,706
	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,208,987</b>	<b>9,556,704</b>	<b>2,438,148</b>	<b>2,680,026</b>	<b>3,174,038</b>	<b>-</b>	<b>(168,932)</b>	<b>21,888,971</b>

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Maturity analysis of conditioned liabilities and commitments is as follows:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Collaterals	3,039,910	1,457,397	1,029,830	3,393,231	1,552,975	175,074	10,648,417
Irrevocable Commitments	2,059,946	1,450,607	28,258	21,974	1,470	1	3,562,256
Forward asset purchase and sale commitments	-	1,435,707	-	-	-	-	1,435,707
Share capital commitments to associates and subsidiaries	-	7,046	10,397	9,173	-	-	26,616
Commitments for cheque payments	1,253,169	-	-	-	-	-	1,253,169
Tax and fund obligations on export commitments	-	84	3	120	1,470	1	1,678
Commitments for credit card limits	805,524	-	-	-	-	-	805,524
Commitments for credit cards and banking services promotions	1,253	-	-	-	-	-	1,253
Other irrevocable commitments	-	7,770	17,858	12,681	-	-	38,309
Revocable Commitments	-	-	-	-	-	-	-
Revocable loan allocation commitments	-	-	-	-	-	-	-
Financial derivative instruments for hedging	-	-	-	-	1,107,747	-	1,107,747
Transactions for cash flow hedging	-	-	-	-	1,107,747	-	1,107,747
Forward foreign currency buy/sell transactions	-	5,391,763	470,922	265,196	141,717	-	6,269,598
Forward foreign currency transactions-buy	-	2,534,644	235,694	131,729	70,717	-	2,972,784
Forward foreign currency transactions-sell	-	2,309,445	171,567	133,467	71,000	-	2,685,479
Other forward foreign currency buy/sell transactions	-	547,674	63,661	-	-	-	611,335
<b>Total</b>	<b>5,099,856</b>	<b>8,299,767</b>	<b>1,529,010</b>	<b>3,680,401</b>	<b>2,803,909</b>	<b>175,075</b>	<b>21,588,018</b>

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Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Collaterals	2,706,414	1,190,773	788,461	1,345,119	2,654,675	218,697	8,904,139
Irrevocable Commitments	1,816,836	505,334	12,875	27,562	153	-	2,362,760
Forward asset purchase and sale commitments	-	492,668	-	-	-	-	492,668
Share capital commitments to associates and subsidiaries	-	1,744	2,506	12,768	-	-	17,018
Commitments for cheque payments	1,109,434	-	-	-	-	-	1,109,434
Tax and fund obligations on export commitments	-	1,262	131	487	153	-	2,033
Commitments for credit card limits	706,334	-	-	-	-	-	706,334
Commitments for credit cards and banking services promotions	1,068	-	-	-	-	-	1,068
Other irrevocable commitments	-	9,660	10,238	14,307	-	-	34,205
Revocable Commitments	-	-	-	-	-	-	-
Revocable loan allocation commitments	-	-	-	-	-	-	-
Forward foreign currency buy/sell transactions	-	5,722,240	1,051,437	361,176	-	-	7,134,853
Forward foreign currency transactions-buy	-	2,809,786	423,341	126,898	-	-	3,360,025
Other forward transactions buy/sell	-	2,689,385	529,231	180,275	-	-	3,398,891
Total	-	223,069	98,865	54,003	-	-	375,937
<b>Total</b>	<b>4,523,250</b>	<b>7,418,347</b>	<b>1,852,773</b>	<b>1,733,857</b>	<b>2,654,828</b>	<b>218,697</b>	<b>18,401,752</b>

### IX. Explanations and Disclosures Related to Securitization Position

The Participation bank has not securitization position.

### X. Explanations and Disclosures Related to Credit Risk Mitigation Techniques

The Participation Bank applies credit risk mitigation according to simple method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 33 of the "Regulation on Credit Risk Mitigation Techniques".

The risk mitigators that are used in credit process are stated below:

- Financial Collaterals (Cash or equivalent and high quality credit level had debt instruments)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The value of mortgage is being revalued during the credit period. Only Treasury and the Banks' guarantees are taken into account as risk mitigation within the framework of BRSA regulations. Besides, the credibility of the Participation Banks is reviewed periodically.

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There is no on-balance sheet netting and special netting agreement.

<b>Risk Classifications</b>	<b>Amount <sup>(*)</sup></b>	<b>Financial Collaterals</b>	<b>Other/ Physical Collaterals</b>	<b>Guarantees and credit derivatives</b>
Contingent and Non-Contingent Claims on Sovereigns	7,768,699	547,641	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	132	5	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	82,137	2,882	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1,265,157	488,826	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	14,935,096	769,500	-	14,981
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	9,504,201	411,812	-	125,402
Contingent and Non-Contingent Claims Secured by Residential Property	8,222,365	-	-	-
Past Due Loans	102,415	143	-	-
Higher-Risk Categories Defined by Agency	580,031	11,423	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	1,123,658	362	-	-

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

## XI. Explanations and Disclosures Related to Risk Management Target and Policies

The risk measurement, description and following activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

Risk Management Department consists of Risk Policy&Reporting and Risk Analysis Management.

The storage of the data analysis and measurement of risks, the results of analysis and monitor activities of compliance with limit and criteria which is determined due to the credit policy of the Participation Bank's credit risk from banking book is regularly reported to the Board of Directors, the audit committee and the management by the Risk Management Department. The following of compliance and focusing of the limit of country, products, customer, maturity and sector has been carried out periodically.

The analysis about under close monitoring and non-performing loans and receivables is being made in order to provide suggestions to the Board of Directors, the audit committee and the management for risk factors on market, sector, customer, products and application process of internal banking.

Scoring models and the decision support system are used in the process of credit evaluation of the Participation Bank internal rating and the actions according to the ratings are defined due to the credit policies. Mentioned rating, scoring and the decision support system regularly followed and tested retrospectively.

To ensure that credit risk exposure arising from personal loans and credit cards is measured reliably and effectively, policy- and rule-based decision support systems are consistently employed, as are a variety of portfolio-specific, statistics-based scoring models that have been developed.

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Risk ratings for personal loans and credit cards is done through using scoring models which, specially-developed for banking portfolio by using statistical methods. Different models are using for different product groups, by this way the most efficient risk assessment and risk rating can be done for each product group. Customers are classified according to their risk profiles by using risk ratings produced by models.

In the case of loans made to small-business, commercial, and corporate customers, credit risk quantification and grading employs rating models which are both sector-appropriate and international standard-compliant and which make use of portfolio-specific statistical methods. These rating models generate not only individual customers' ratings but also provide estimates of a customer's probability of default (PD). Generated ratings and PD values are actively used in determining process of credit decisions and operating conditions.

In addition to these rating models, small-business, commercial, and corporate customer credit risk measurement and grading also involve the use of a suite of target market and risk acceptance criteria that make it possible to make judgments about individual customers' ratings based on their sector and appetite for risk.

The risk exposure of the credit portfolio of the Participation Bank in the negative economic circumstances proactively managed by estimating via scenario analysis and stress tests.

Besides, product risk analysis is made with calculating the exposure of the new products on the Participation Bank's credit portfolio and financial structure.

The Board of Directors, the audit committee and the management of the Participation Bank are informed by the Risk Management Department monthly and quarterly about the quality of credit portfolio, statistics, eye catching fluctuations and compliance with the credit policies and the reports in which these analysis are took part in with the calculation, analysis and monitor activities; and thus, the required update on credit policies and processes are made after the evaluation of these results.

Market risk factors and its effects are measured and regularly reported to BRSA in the Participation Bank. The market risks are measured and reported with the standard method including trading accounts according to the "Communiqué on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In addition, Internal Capital Adequacy Assessment Process (ICAAP) studies related to end of 2013 are completed on September 2014 approved by Board of Directors and delivered to relevant legal authorities.

Risk mitigating cautions are applied while managing the foreign exchange position with defining the trading of foreign exchange, stop loss and position limits. The risk calculation of specified limits, monitor the consistency of limits, control and reporting are performed by the Risk Management Department.

Stress tests are performed to follow up the effect of the volatility of the market conditions on the financial position and to reduce the possible risks.

The Participation Bank apply some strategies in order to mitigate liquidity risk such as diversification of funding sources, obtaining funds with a longer term and catching the maturity match between the assets and liabilities.

Risk Management Department created some methodologies and methods to measure, analyze, report and manage the liquidity risk.

The liquidity position is analyzed by preparing the tables for the maximum cumulative cash outflows of all balance sheet items subject to liquidity risk according to their maturities. The Participation Bank also prepares "Liquidity Coverage Ratio" and "Net Stable Funding Ratio" reports in line with the principles of Basel III. Liquidity Coverage Ratio Report is shared with BRSA according to related regulations. On the other hand Net Stable Funding Ratio Report is prepared for getting information.

The stress tests are performed to calculate the liquidity risk of the Participation Bank.

The liquidity risk management and emergency plan in which the actions and the cautions defined with their priorities are built in case of any liquidity congestion results from the Participation Bank or market.

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The Participation Bank adopts a risk terminology which is in accordance with Basel II in order to create an international approach on Operational Risk Management. This common risk language provides a consistent view and communication about operational risk throughout the Participation Bank. Software is used in order to support the standard framework for the management of operational risk by creating the data house for risk losses and reporting of the mentioned data.

The Parent Participation Bank, perform insurance policies which are customary in the industry transaction and the necessary works as a result of the realization of operational risk which is the risk of loss or damage in order to be transferred out of the bank.

In accordance to the "Regulation on Procurement of Support Services of the Banks", support services which are the purchased by units of the participant bank. For the provider services who are related services and supplier of purchased units had prepared the report which is examined and performed the risk opinion and presented to audit committee.

The Risk Control Evaluation (RCE) is performed periodically in the Participation Bank as a basic principle of the Basel II Operational Risk implementations. It is aimed with RCE to restrict the operational risk effects by investigating the business processes subject to operational risk and performing controls by the process owners. In the departments where RCC study is implemented, 'Key Risk Indicators' and the threshold value for the mentioned risk points are determined.

Besides, in consequence of the Capital Adequacy Measurement and Reporting Project, it has been ensured that a flexible parametric model that shall be in compliance with legal framework changes has been built, a reporting infrastructure that is in accordance with Basel II standards has been created, stress tests to the capital adequacy related risks has been applied and current system infrastructure is still being used.

## XII. Explanations and disclosures related to fair values of financial assets and liabilities

The table below shows the carrying value and the fair value of financial assets and liabilities of the Participation Bank:

	Carrying value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>30.365.493</b>	<b>22.967.192</b>	<b>25.054.699</b>	<b>19.027.072</b>
Cash and Balances With Central Banks	5.156.624	3.836.254	5.156.624	3.836.254
Equity Securities	-	-	-	-
Banks <sup>(*)</sup>	572.606	954.203	572.606	954.203
Financial Assets Available For Sale	4.370	4.376	4.370	4.376
Loans <sup>(**)</sup>	24.063.493	18.172.359	23.893.502	18.068.493
Investment Held To Maturity <sup>(****)</sup>	568.400	-	584.221	-
<b>Financial Liabilities</b>	<b>28.630.511</b>	<b>20.942.705</b>	<b>28.601.199</b>	<b>20.928.776</b>
Funds Collected from Banks Via Current and Profit Sharing Accounts <sup>(***)</sup>	384.767	350.617	384.767	350.617
Current and Profit Sharing Accounts <sup>(****)</sup>	18.727.993	14.791.101	18.727.993	14.791.101
Funds Provided from Other Financial Institutions	8.569.415	5.166.009	8.540.103	5.152.080
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	948.336	634.978	948.336	634.978
Payables to Money Market	652.629	721.560	652.629	721.560

<sup>(\*)</sup> Because due from banks are demand deposits, their carrying value and fair value is the same.

<sup>(\*\*)</sup> In order to calculate the fair value of loans, current profit sharing rates are used as of the balance sheet date. Loans balance also includes finance lease receivables.

<sup>(\*\*\*)</sup> Carrying value of the funds collected funds collected from banks via current and profit sharing accounts and current and profit sharing accounts equals to their fair value as it is revalued with the year-end unit value.

<sup>(\*\*\*\*)</sup> Loan rates that valued as balance sheet date are used for fair value calculation of funds that provided by other financial

<sup>(\*\*\*\*)</sup> fair value level 1 indicate of maturity period lock-up investments presentation

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The table below analyses financial instruments carried at fair value, by valuation method:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available for Sale	-	1,971,784	-	1,971,784
Financial Assets Held for Trading	-	669	-	669
Derivative Financial Assets Held for Trading	-	25,441	-	25,441
<b>Financial Assets at Fair Value</b>	<b>-</b>	<b>1,997,894</b>	<b>-</b>	<b>1,997,894</b>
Financial Liabilities Held for Trading	-	10,068	-	10,068
Derivative Financial Liabilities Held for Trading	-	51,547	-	51,547
<b>Financial Assets at Fair Liability Value</b>	<b>-</b>	<b>61,615</b>	<b>-</b>	<b>61,615</b>

(\*) Includes spot transaction valuations amounting to TL 586 which are classified in other provisions on balance sheet.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available for Sale	-	1,408,649	-	1,408,649
Financial Assets Held for Trading	-	198	-	198
Derivative Financial Assets Held for Trading	-	46,471	-	46,471
<b>Financial Assets at Fair Value</b>		1,455,318	-	1,455,318
Derivative Financial Liabilities Held for Trading	-	39,140	-	39,140
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>39,140</b>	<b>-</b>	<b>39,140</b>

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

Observable market prices such as the marketable security prices which are announced by CBRT and the prices obtained from foreign capital markets are used for fair value determination of financial assets and liabilities measured at fair value except derivative assets and derivative liabilities held for trading.

The similar ratios announced in the capital markets are used for discounting the contractual prices of derivative financial assets and derivative financial liabilities for fair value determination. Transactions carried out on behalf of customers, items held in trust.

The Participation Bank does not provide buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank is not involved in trust activities.

### XIII. Explanations on Hedge Accounting

The Participation Bank applies Cash Flow Hedge ("CFH") accounting models as of 31 December 2014. Cross currency swaps are used as hedging instrument in CFH accounting. Contractual amounts and the fair values as at 31 December 2014 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional (*)	Asset	Liability	Notional (*)	Asset	Liability
Hedging instrument	-	-	-	-	-	-
Cross Currency Swap	577,739	-	51,547	-	-	-
<b>Total</b>	<b>577,739</b>	<b>-</b>	<b>51,547</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 530,008 (31 December 2013: None) the total notional of derivative financial assets amounting to TL 1,107,747 (31 December 2013: None) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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## Cash flow hedge accounting

The Participation Bank, converted 800,000 Malaysian Ringgit securities, which were issued in terms of a 6% profit share rate and June 2019 maturity date, to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on 1 August 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on marketable securities issued.

The hedging instruments are cross currency swaps and the hedged item is the cash outflow due to the changes in exchange rates of marketable securities issued.

Current Period					
Type of hedging instrument	Hedged item (asset and liability) <sup>(*)</sup>	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(*)</sup>
			Asset	Liability	
Swap Transactions	Marketable securities issued	Cash flow risk due to the changes in the foreign exchange rates	-	51,547	(3,668)

<sup>(\*)</sup> Includes the deferred tax effect.

<sup>(\*)</sup> The securities issued by the Participation Bank's subsidiary TF Varlık Kiralama A.Ş., shown in funds borrowed line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CHF accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CHF accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

## SECTION FIVE

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

#### I. Explanations Related to the Assets

##### 1. Cash and Central Bank of Turkey:

###### 1.1. Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	128,538	84,553	89,017	60,628
Central Bank of Turkey	756,723	4,173,339	469,277	3,212,187
Others	164	13,307	12	5,133
<b>Total</b>	<b>885,425</b>	<b>4,271,199</b>	<b>558,306</b>	<b>3,277,948</b>



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## 1.2. Information on Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	756,723	1,423,443	467,739	305,464
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	1,538	-
Others <sup>(*)</sup>	-	2,749,896	-	2,906,723
<b>Total</b>	<b>756,723</b>	<b>4,173,339</b>	<b>469,277</b>	<b>3,212,187</b>

<sup>(\*)</sup> Reserve deposits that are kept as blockage in CBTR for foreign currency liabilities. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 6% and 11%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. After the change in communiqué reserve ratio for Turkish Lira liabilities has been changed to between 5% and 13% according to the maturity of the liabilities and it has been taken into consideration as of the report date.

## 2. Information on Financial Assets at Fair Value through Profit and Loss

The other security line in the amount of TL 669 refers to fair value of spot derivative transactions of the Participation Bank, accounted based on the settlement date, between the trade date and the balance sheet date (31 December 2013: TL 198).

### 2.1. Information on Financial Assets at Fair Value through Profit and Loss, Which are Given as Collateral or Blocked

None (31 December 2013: None).

### 2.2. Information on Financial Assets at Fair Value through Profit and Loss, Which are Subject to Repurchase Agreements

None (31 December 2013: None).

### 2.3. Positive Differences Related to Derivative Financial Assets Held-for-Trading

Financial Derivative Assets Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	2,375	2,954	33,288	9,512
Swap Transactions	6,915	13,197	505	3,166
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9,290</b>	<b>16,151</b>	<b>33,793</b>	<b>12,678</b>

## 3. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	85,487	397,244	484,411	379,715
Foreign	4	89,871	37	90,040
Branches and Head Offices Abroad	-	-	-	-
<b>Total</b>	<b>85,491</b>	<b>487,115</b>	<b>484,448</b>	<b>469,755</b>

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	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	28,715	34,952	-	-
USA and Canada	51,269	46,472	-	-
OECD Countries*	3,605	5,194	-	-
Off-Shore Banking Regions	515	350	-	-
Other	5,771	3,109	-	-
<b>Total</b>	<b>89,875</b>	<b>90,077</b>	<b>-</b>	<b>-</b>

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

## 4. Information on Financial Assets Available for Sale

	Current Period	Prior Period
Debt Securities	1,971,784	1,408,649
Quoted on a Stock Exchange	-	-
Not Quoted (*)	1,971,784	1,408,649
Share Certificates	4,370	4,376
Quoted on a Stock Exchange	-	-
Not Quoted (**)	4,370	4,376
Impairment Provision (-)	-	-
Other	-	-
<b>Total</b>	<b>1,976,154</b>	<b>1,413,025</b>

(\*) Although the related debt securities are quoted on a Stock Exchange, they have been presented as not quoted since the market transactions are not deep enough as of balance sheet date.

(\*\*) In the current period, Kredi Garanti Fonu amounting to TL 4,211 is presented in the not quoted line

As of 31 December 2014, the Participation Bank's "financial assets available-for-sale" portfolio includes the rent certificate at a total face value of TL 1,715,753 (31 December 2013: TL 1,427,083), a total carrying value amounting to TL 1,761,406 (31 December 2013: TL 1,408,649) which is issued by Republic of Turkey Undersecretariat of Treasury.

### 4.1. Available-for-Sale Financial Assets Blocked/Given As Collateral or Subject to Repurchase Agreements

As of 31 December 2014, available-for-sale financial assets blocked/given as collateral or subject to repurchase agreements are amounting to TL 773,960 (31 December 2012: TL 415,930).

### 4.2. Information on Financial Assets Available for Sale, Which are Subject to Repurchase Agreements

As of 31 December 2014, information on financial assets available for sale, which are subject to repurchase agreements are amounting to TL 414,483 (31 December 2013: TL 724,055).

## 5. Information Related to Loans

### 5.1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	117	24,475	106	33,432
Corporate Shareholders	-	24,475	-	22,534
Real Person Shareholders	117	-	106	10,898
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	16,218	-	15,367	-
<b>Total</b>	<b>16,335</b>	<b>24,475</b>	<b>15,473</b>	<b>33,432</b>

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## 5.2. Information about the First And Second Group Loans and Other Receivables Including Loans That Have Been Restructured or Rescheduled

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
<b>Cash Loans</b>	22,060,733	45,307	1,054	767,219	331,675	5,474
Export Loans	1,245,101	-	-	4,646	-	-
Import Loans	-	-	-	-	-	-
Business Loans	16,528,477	42,821	1,054	651,175	327,197	5,474
Consumer Loans	3,927,581	2,486	-	93,535	4,478	-
Credit Cards	339,029	-	-	13,058	-	-
Loans Given to Financial Sector	14,104	-	-	-	-	-
Other	6,441	-	-	4,805	-	-
<b>Other Receivables</b>						
<b>Total</b>	<b>22,060,733</b>	<b>45,307</b>	<b>1,054</b>	<b>767,219</b>	<b>331,675</b>	<b>5,474</b>

The loans for which the amendments related to the extension of the payment plan made according to article 4 of first clause (a) and (b) of "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision" are stated below as of 31 December 2014.

	Number of amendments related to the extension of the payment plan	
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	44,412	324,914
Extended for 3, 4 or 5 times	895	6,761
Extended for more than 5 times	-	-
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	4,136	5,976
6-12 Months	12,493	26,449
1-2 Years	15,236	103,308
2-5 Years	13,442	188,469
5 Years and More	-	7,473

According to article 5 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there is no restructured loan as of 31 December 2014.

According to article 6 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there are five restructured loans as of 31 December 2014. The maturity date of these loans were rolled over 393-1,123 days.

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## 5.3. Maturity Analysis of Cash Loans

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Short-Term Loans and Other Receivables</b>	<b>6,265,839</b>	<b>-</b>	<b>116,835</b>	<b>-</b>
Loans	6,265,839	-	116,835	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>15,793,840</b>	<b>1,054</b>	<b>644,910</b>	<b>5,474</b>
Loans	15,793,840	1,054	644,910	5,474
Other Receivables	-	-	-	-

## 5.4. Collaterals Received for Loans and Other Receivables under Close Monitoring

	Current Period	Prior Period
Cash	23,389	23,365
Mortgages	445,748	437,055
Pledged Assets	45,411	35,501
Cheques and Notes	146,036	68,704
Other Collaterals	1,832	2,528
Unsecured Loans	123,370	121,513
<b>Total</b>	<b>785,786</b>	<b>688,666</b>

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## 5.5. Information on Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

	Short Term	Medium and Long Term	Total
<b>Consumer Loans - TL</b>	<b>72,844</b>	<b>3,930,285</b>	<b>4,003,129</b>
Real Estate Loans	13,816	3,466,824	3,480,640
Auto Loans	14,542	254,803	269,345
General Purpose Consumer Loans	31,010	82,443	113,453
Other	13,476	126,215	139,691
<b>Consumer Loans - FC Indexed</b>	<b>-</b>	<b>9,652</b>	<b>9,652</b>
Real Estate Loans	-	9,633	9,633
Auto Loans	-	-	-
General Purpose Consumer Loans	-	19	19
Other	-	-	-
<b>Consumer Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards - TL</b>	<b>261,427</b>	<b>7,530</b>	<b>268,957</b>
With Instalment	73,219	7,530	80,749
Without Instalment	188,208	-	188,208
<b>Individual Credit Cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
<b>Personnel Loans -TL</b>	<b>953</b>	<b>7,382</b>	<b>8,335</b>
Real Estate Loans	-	203	203
Auto Loans	264	3,198	3,462
General Purpose Consumer Loans	240	1,199	1,439
Other	449	2,782	3,231
<b>Personnel Loans - FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7,866</b>	<b>17</b>	<b>7,883</b>
With Instalment	2,616	17	2,633
Without Instalment	5,250	-	5,250
<b>Personnel Credit Cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
<b>Total</b>	<b>343,090</b>	<b>3,954,866</b>	<b>4,297,956</b>

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## 5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
<b>Commercial Loans with Instalment-TL</b>	<b>96,839</b>	<b>779,863</b>	<b>876,702</b>
Business Loans	12,334	658,817	671,151
Auto Loans	3,779	96,359	100,138
General Purpose Consumer Loans	364	24,423	24,787
Other	80,362	264	80,626
<b>Commercial Loans with Instalment - FC Indexed</b>	<b>140</b>	<b>26,537</b>	<b>26,677</b>
Business Loans	140	22,722	22,862
Auto Loans	-	156	156
General Purpose Consumer Loans	-	2,267	2,267
Other	-	1,392	1,392
<b>Commercial Loans with Instalments - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>73,122</b>	<b>2,125</b>	<b>75,247</b>
With Instalment	13,401	2,125	15,526
Without Instalment	59,721	-	59,721
<b>Corporate Credit Cards-FC</b>			
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
<b>Total</b>	<b>170,101</b>	<b>808,525</b>	<b>978,626</b>

## 5.7. Loan Distribution According to Borrowers

	Current Period	Prior Period
Public Sector	58,452	-
Private Sector	22,769,500	17,330,710
<b>Total</b>	<b>22,827,952</b>	<b>17,330,710</b>

## 5.8. International and Domestic Loans

All loans except non-performing loans are as follows;

	Current Period	Prior Period
Domestic Loans	22,671,689	17,166,355
International Loans	156,263	164,355
<b>Total</b>	<b>22,827,952</b>	<b>17,330,710</b>

## 5.9. Loans Granted to Subsidiaries and Participations

None (31 December 2013: None).

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### 5.10. Specific Provisions Provided Against Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	35,770	18,759
Loans and Receivables with Doubtful Collectibility	61,102	61,163
Uncollectible Loans and Receivables	271,975	243,899
<b>Total</b>	<b>368,847</b>	<b>323,821</b>

### 5.11. Information on Non-Performing Loans (Net)

#### 5.11.1 Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

None (31 December 2013: None).

#### 5.11.2. Information of Movements of Loans

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Prior Period Ending Balance	36,947	103,627	300,498
Additions (+)	385,028	7,830	23,432
Transfers from Other Categories of Non- performing Loans (+)	-	227,944	170,982
Transfers to Other Categories of Non-performing Loans (-)	(227,944)	(170,982)	-
Collections (-)	(54,535)	(25,795)	(57,837)
Write-offs (-)	(4,684)	(9,023)	(108,171)
Corporate and Commercial Loans	(4,682)	(4,798)	(85,070)
Retail Loans	-	(2,205)	(9,771)
Credit Cards	(2)	(1,896)	(11,329)
Other	-	(124)	(2,001)
Current Period Ending Balance	134,812	133,601	328,904
Specific Provisions (-)	(35,770)	(61,102)	(271,975)
Net Balance on Balance Sheet	99,042	72,499	56,929

<sup>(1)</sup> The Participation Bank has sold its non-performing loans portfolio part of TL 116,604 on 24 July 2014 with amount of TL 15,132 to asset management companies.

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## 5.11.3. Information on Foreign Currency Loans and Other Receivables Included in Loans under Follow-Up Account

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period:</b>			
Period Ending Balance	-	16	5,066
Specific Provisions (-)	-	(16)	(5,066)
Net Balance on Balance Sheet	-	-	-
<b>Prior Period:</b>			
Prior Period Ending Balance	-	4,114	5,763
Specific Provisions (-)	-	(2,214)	(4,964)
Net Balance on Balance Sheet	-	1,900	799

## 5.11.4. Information on Gross and Net Non-Performing Loans and Receivables as per Customer Categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>99,042</b>	<b>72,499</b>	<b>56,929</b>
Loans to Individuals and Corporates (Gross)	134,139	133,154	325,234
Specific Provisions (-)	(35,612)	(60,887)	(268,480)
Loans to Individuals and Corporates (Net)	98,527	72,267	56,754
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	673	447	3,670
Specific Provisions (-)	(158)	(215)	(3,495)
Other Loans and Receivables (Net)	515	232	175
<b>Prior Period (Net)</b>	<b>18,188</b>	<b>42,464</b>	<b>56,599</b>
Loans to Individuals and Corporates (Gross)	36,848	103,464	296,739
Specific Provisions (-)	(18,684)	(61,067)	(240,345)
Loans to Individuals and Corporates (Net)	18,164	42,397	56,394
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	99	163	3,759
Specific Provisions (-)	(75)	(96)	(3,554)
Others Loans and Receivables (Net)	24	67	205



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### 5.11.5. Collaterals Received for Non-Performing Loans

	Current Period	Prior Period
Cash	8,875	1,925
Mortgages	202,064	153,917
Pledged Assets	24,815	22,977
Cheques and Notes	113,120	59,650
Other Collaterals	9,861	10,500
Unsecured Loans	238,582	192,103
<b>Total</b>	<b>597,317</b>	<b>441,072</b>

### 5.11.6. Non-Performing Loans and Main Guidelines of Liquidation Process for Loans and Receivables

Related loans are classified as non-performing loans as per "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions" which was published in the Official Gazette No: 26333 on 1 November 2006.

### 5.11.7. Explanation on "Write-off" Policies

The loans and receivables whose collections are considered to be definitely uncollectible are collected by legal proceedings and enashing the guarantees or written-off by the decision of the Participation Bank's management pursuant to the requirements in outstanding Turkish Tax Procedures Code In the current period the Participation Bank sold its non-performing loans amounting to TL 116,604 (31 December 2013: TL 4,522) to asset management companies and written off amounting to TL 5,274 (31 December 2013: TL 53,432).

### 5.12 Other Explanation and Disclosures

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

Current Period <sup>(*)</sup>	0-30 Days	31- 60 Days	61- 90 Days	Total
<b>Loans and Receivables</b>				
Commercial Loans	13,613	9,147	5,479	28,239
SME Loans	27,642	16,318	6,342	50,302
Consumer Loans	4,999	2,916	1,907	9,822
<b>Total</b>	<b>46,254</b>	<b>28,381</b>	<b>13,728</b>	<b>88,363</b>

<sup>(\*)</sup> Only past due loans are presented and the principals of unpaid loans.

Prior Period <sup>(*)</sup>	0-30 Days	31- 60 Days	61- 90 Days	Total
<b>Loans and Receivables</b>				
Commercial Loans	15,875	12,465	5,965	34,305
SME Loans	11,301	8,875	3,858	24,034
Consumer Loans	1,839	4,618	2,893	9,350
<b>Total</b>	<b>29,015</b>	<b>25,958</b>	<b>12,716</b>	<b>67,689</b>

<sup>(\*)</sup> Only past due loans are presented and the principals of unpaid loans.

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## 6. Investments Held-to-Maturity (Net)

### 6.1. Investments Subject to Repurchase Agreements and Given as Collateral/Blocked:

As of 31 December 2014, there is investments held-to-maturity subject to investments given as collateral amounting to TL 83,790 (31 December 2013: None) and investments held-to-maturity subject to repurchase agreements are amounting to TL 212,243 (31 December 2013: None).

### 6.2. Information on Securities Held-to-Maturity

	Current Period	Prior Period
Debt Securities	568,400	-
Quoted on a Stock Exchange	-	-
Not Quoted <sup>(*)</sup>	568,400	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>568,400</b>	<b>-</b>

### 6.3. Changes in Securities Held-to-Maturity

	Current Period	Prior Period
Opening Balance	-	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	550,000	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	-	-
Income Accruals and Rediscounts	18,400	-
Ending Balance	568,400	-

## 7. Information on Associates (Net)

None (31 December 2013: None).

## 8. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on 22 October 2012, asset rent company was established purposing rent certificate issues with the capital TL 50. Asset rent company named TF Varlık Kiralama A.Ş. was established with the authorizations of Banking Regulation and Supervision Agency dated 20 December 2012, Capital Markets Board dated 8 February 2013 and Ministry of Customs and Trade dated 11 February 2013.

According to a decision of the Parent Participation Bank, second asset rent company was established purposing rent certificate issues with the capital of TL 50 as at 8 July 2014 named TFKB Varlık Kiralama A.Ş.

	Associate	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	TF Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00	-
2	TFKB Varlık Kiralama AŞ	İstanbul/Turkey	100.00	-

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
1	3,106,686	50	-	-	-	-	-	-
2	71,353	249	-	-	-	199	-	-

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### 9. Information on Entities under Common Control

None (31 December 2013: None).

### 10. Information on Finance Lease Receivables

#### 10.1. Presentation of Finance Lease Investments According to Their Remaining Maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	477,313	412,671	306,164	266,131
1-4 Years	883,905	764,200	605,449	526,282
More Than 4 Years	67,860	58,670	56,642	49,236
<b>Total</b>	<b>1,429,078</b>	<b>1,235,541</b>	<b>968,255</b>	<b>841,649</b>

#### 10.2. Information on Net Investments Made in Finance Lease

	Current Period	Prior Period
Gross Finance Lease Receivables	1,429,078	968,255
Income Earned from Other Operations apart from Finance Lease (-)	(193,537)	(126,606)
Written off leasing amounts	-	-
<b>Total</b>	<b>1,235,541</b>	<b>841,649</b>

10.3. General Information on Criteria Used in Determination of Contingent Lease Installments, If Any, Updates About Available Situations and Contract Amounts Related to Renewal or Purchase Options and Constraints due to Leasing Contracts, Any Past Due Situations, Renewal of Contracts, If Renewaled, Conditions on It, Any Matter Caused to Constraints and Other Important Issues Related to Finance Lease Contracts

Finance lease contracts are realized in consistent with the Financial Leasing, Factoring And Financing Companies Law Nr. 6361. There is not any constraint due to finance lease contracts or any renewal that affects financial statements (31 December 2013: None).

### 11. Derivative Financial Assets Held for Risk Management

None (31 December 2013: None).

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## 12. Information on Tangible Assets

	Buildings	Leased Tangible Assets	Other Tangible Assets	Total
<b>Cost</b>				
Opening Balance	115,150	5,782	217,370	338,302
Movements in the Current Period	187,400	(109)	36,835	224,126
- Additions	417,723	-	49,766	467,489
- Disposals	(258,109)	-	(14,206)	(272,315)
- Transfers	-	(109)	1,275	1,166
- Impairments (Losses)/Reversals	73	-	-	73
- Value Increase	27,713	-	-	27,713
<b>Ending Balance</b>	<b>302,550</b>	<b>5,673</b>	<b>254,205</b>	<b>562,428</b>
<b>Accumulated Depreciation</b>				
Opening Balance	(2,288)	(5,782)	(118,543)	(126,613)
- Accumulated Depreciation Reversals	-	-	-	-
Movements in the Current Period	1,579	7	(19,825)	(18,239)
- Depreciation Expense	(308)	(2)	(32,069)	(32,379)
- Value Increase	-	-	-	-
- Transfers	-	9	(172)	(163)
- Disposals	1,887	-	12,416	14,303
<b>Ending Balance</b>	<b>(709)</b>	<b>(5,775)</b>	<b>(138,368)</b>	<b>(144,852)</b>
<b>Prior Period Net Book Value</b>	<b>112,862</b>	<b>-</b>	<b>98,827</b>	<b>211,689</b>
<b>Current Period Net Book Value</b>	<b>301,841</b>	<b>(102)</b>	<b>115,837</b>	<b>417,576</b>

## 13. Information on Intangible Assets

### 13.1. Useful Life or Depreciation Rates Used

It is explained in the footnote numbered XI in the Section 3.

### 13.2. Depreciation Methods Used for Intangible Assets

Intangible assets are depreciated by straight-line depreciation method.

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### 13.3. Movement Table Between the Current and Prior Period

	<b>Intangible Assets</b>
<b>Cost</b>	-
Opening Balance	77,824
Movements in the Current Period	32,360
- Additions	33,674
- Disposals (-)	(148)
- Transfers	(1,166)
- Impairment	-
- Value Increase	-
<b>Ending Balance</b>	<b>110,184</b>
<b>Accumulated Depreciation</b>	-
Opening Balance	(40,675)
Movements in the Current Period	(20,344)
- Depreciation Expense (-)	(20,819)
- Value Increase	-
- Transfer	163
- Disposals	312
<b>Ending Balance</b>	<b>(61,019)</b>
<b>Prior Period Net Book Value</b>	<b>37,149</b>
<b>Current Period Net Book Value</b>	<b>49,165</b>

### 14. Information on Investment Property

None (31 December 2013: None).

### 15. Explanations Related to the Deferred Tax Asset

The Participation Bank is calculated deferred tax liability amounting to TL 14,958 (31 December 2013: TL 16,731) from the difference between book values of assets and liabilities, and the tax based amounts which are going to be added to the financial profit or loss in the following periods. The Participation Bank net-off calculated deferred tax asset amounting to TL 51,584 (31 December 2013: TL 39,380) and deferred tax liability, and booked deferred tax asset amounting to TL 36,626 in the current period (31 December 2013: TL 22,649).

	<b>Current Period</b>	
	<b>Deferred Tax Base Amount</b>	<b>Deferred Tax Asset/(Liability)</b>
Retirement Pay Provisions	43,117	8,623
Short-Term Employee Benefits	10,634	2,127
Credit Card Promotion Provision	2,042	408
Provision Expense for Law Suits	11,565	2,313
Fair Value Valuation Differences	(84)	(17)
Loan Accrual Differences	(412)	(82)
Fair Value Differences of Derivative Financial Instruments	30,125	6,025
Fixed Asset Depreciation Difference	(58,183)	(11,637)
Revaluation Surplus on Tangible Assets	(9,658)	(1,932)
Rediscounts of Commission	127,991	25,598
Other	25,998	5,200
<b>Deferred Tax Asset (net)</b>	<b>-</b>	<b>36,626</b>

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	Prior Period	
	Deferred Tax Base Amount	Deferred Tax Asset (Liability)
Retirement Pay Provisions	34,060	6,812
Short-Term Employee Benefits	11,597	2,319
Credit Card Promotion Provision	1,880	376
Provision Expense for Law Suits	7,664	1,533
Fair Value Valuation Differences	636	127
Loan Accrual Differences	38	8
Fair Value Differences of Derivative Financial Instruments	(8,165)	(1,633)
Fixed Asset Depreciation Difference	(45,533)	(9,107)
Revaluation Surplus on Tangible Assets	(23,583)	(4,717)
Rediscounts of Commission	104,813	20,963
Other	29,842	5,968
<b>Deferred Tax Asset (net)</b>	<b>-</b>	<b>22,649</b>

Movement of the deferred tax asset is stated as below:

	Current Period	Prior Period
As of January 1	22,649	11,115
Current Period Income/(Expense)	20,778	(2,516)
Effect of the Change in Tax Rate	51	(214)
Deferred Tax Accounted for Under Equity	(6,852)	14,264
<b>Deferred Tax Asset</b>	<b>36,626</b>	<b>22,649</b>

## 16. Information on Assets Held for Sale

As of 31 December 2014, information on assets held for sale is amounting to TL 142 (31 December 2013: TL 67).

## 17. Information on Other Assets

Other assets do not exceed 10% of total assets as of 31 December 2014 and 31 December 2013.

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## II. Explanations Related to the Liabilities

### 1. Information on funds collected

#### 1.1. The Maturity Structure of Funds Collected

Current Period	Demand	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
<b>I. Real Persons Current Accounts-TL</b>	1,030,419	-	-	-	-	-	-	-	<b>1,030,419</b>
<b>II. Real Persons Profit Sharing Accounts-TL</b>	-	1,648,718	4,485,952	92,899	-	135,228	379,835	14	<b>6,742,646</b>
<b>III. Other Current Accounts-TL</b>	1,668,425	-	-	-	-	-	-	-	<b>1,668,425</b>
Public Sector	4,592	-	-	-	-	-	-	-	<b>4,592</b>
Commercial Sector	1,620,026	-	-	-	-	-	-	-	<b>1,620,026</b>
Other Institutions	37,208	-	-	-	-	-	-	-	<b>37,208</b>
Commercial and Other Institutionals	6,007	-	-	-	-	-	-	-	<b>6,007</b>
Banks and Finance Houses	592	-	-	-	-	-	-	-	<b>592</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Domestic Banks	-	-	-	-	-	-	-	-	<b>-</b>
Foreign Banks	562	-	-	-	-	-	-	-	<b>562</b>
Bank	29	-	-	-	-	-	-	-	<b>29</b>
Other	1	-	-	-	-	-	-	-	<b>1</b>
<b>IV. Profit Sharing Accounts-TL</b>	-	371,049	2,335,534	161,371	-	64,879	69,605	-	<b>3,002,438</b>
Public Sector	-	-	1,637	-	-	-	-	-	<b>1,637</b>
Commercial Sector	-	336,298	1,994,823	155,503	-	63,981	65,822	-	<b>2,616,427</b>
Other Institutions	-	34,650	225,675	5,868	-	898	3,783	-	<b>270,874</b>
Commercial and Other Institutionals	-	101	1,010	-	-	-	-	-	<b>1,111</b>
Banks	-	-	112,389	-	-	-	-	-	<b>112,389</b>
<b>V. Real Persons Current Accounts-FC</b>	585,616	-	-	-	-	-	-	-	<b>585,616</b>
<b>VI. Real Persons Profit Sharing Accounts-FC</b>	-	682,259	2,185,551	68,505	-	215,252	181,269	5	<b>3,332,841</b>
<b>VII. Other Current Accounts-FC</b>	734,998	-	-	-	-	-	-	-	<b>734,998</b>
Commercial Residents in Turkey	655,419	-	-	-	-	-	-	-	<b>655,419</b>
Commercial Residents in Abroad	72,718	-	-	-	-	-	-	-	<b>72,718</b>
Banks	6,861	-	-	-	-	-	-	-	<b>6,861</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Domestic Banks	-	-	-	-	-	-	-	-	<b>-</b>
Foreign Banks	1,163	-	-	-	-	-	-	-	<b>1,163</b>
Banks	5,698	-	-	-	-	-	-	-	<b>5,698</b>
Other	-	-	-	-	-	-	-	-	<b>-</b>
<b>VIII. Profit Sharing Accounts Other-FC</b>	-	324,679	979,926	38,484	-	53,253	120,630	-	<b>1,516,972</b>
Public Sector	-	-	-	-	-	-	-	-	<b>-</b>
Commercial Sector	-	247,740	744,658	21,424	-	21,936	39,843	-	<b>1,075,601</b>
Other Institutions	-	4,425	10,384	-	-	208	-	-	<b>15,017</b>
Commercial and Other Institutionals	-	4,488	27,985	17,060	-	31,109	80,787	-	<b>161,429</b>
Banks and Participation Banks	-	68,026	196,899	-	-	-	-	-	<b>264,925</b>
<b>IX. Precious Metal Accounts</b>	278,187	-	6,401	190,740	-	23,050	27	-	<b>498,405</b>
<b>X. Profit Sharing Accounts Special Fund Pools-TL</b>	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Abroad	-	-	-	-	-	-	-	-	<b>-</b>
<b>XI. Profit Sharing Accounts Special Fund Pools-FC</b>	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Abroad	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total (I+II+.....+IX+X+XI)</b>	<b>4,297,645</b>	<b>3,026,705</b>	<b>9,993,364</b>	<b>551,999</b>	<b>-</b>	<b>491,662</b>	<b>751,366</b>	<b>19</b>	<b>19,112,760</b>

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Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
<b>I. Real Persons Current Accounts-TL</b>	894,578	-	-	-	-	-	-	-	894,578
<b>II. Real Persons Profit Sharing Accounts-TL</b>	-	2,489,240	2,401,698	108,147	-	108,118	610,879	-	5,718,082
<b>III. Other Current Accounts-TL</b>	1,229,597	-	-	-	-	-	-	-	1,229,597
Public Sector	4,434	-	-	-	-	-	-	-	4,434
Commercial Sector	1,193,446	-	-	-	-	-	-	-	1,193,446
Other Institutions	31,212	-	-	-	-	-	-	-	31,212
Commercial and Other Institutionals	262	-	-	-	-	-	-	-	262
Banks and Finance Houses	243	-	-	-	-	-	-	-	243
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	221	-	-	-	-	-	-	-	221
Bank	22	-	-	-	-	-	-	-	22
Other	-	-	-	-	-	-	-	-	-
<b>IV. Profit Sharing Accounts-TL</b>	-	415,479	1,212,122	18,973	-	42,125	111,022	-	1,799,721
Public Sector	-	89	38	-	-	-	-	-	127
Commercial Sector	-	357,893	916,802	10,547	-	39,920	106,203	-	1,431,365
Other Institutions	-	57,497	119,290	8,426	-	2,205	4,819	-	192,237
Commercial and Other Institutionals	-	-	1	-	-	-	-	-	1
Banks	-	-	175,991	-	-	-	-	-	175,991
<b>V. Real Persons Current Accounts-FC</b>	373,888	-	-	-	-	-	-	-	373,888
<b>VI. Real Persons Profit Sharing Accounts-FC</b>	-	945,547	902,863	72,182	-	124,642	353,457	-	2,398,691
<b>VII. Other Current Accounts-FC</b>	537,777	-	-	-	-	-	-	-	537,777
Commercial Residents in Turkey	507,193	-	-	-	-	-	-	-	507,193
Commercial Residents in Abroad	18,761	-	-	-	-	-	-	-	18,761
Banks	11,823	-	-	-	-	-	-	-	11,823
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	1,022	-	-	-	-	-	-	-	1,022
Banks	10,801	-	-	-	-	-	-	-	10,801
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Profit Sharing Accounts Other-FC</b>	-	298,526	837,857	203,236	-	71,563	119,196	-	1,530,378
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	157,989	738,973	4,390	-	60,422	56,190	-	1,017,964
Other Institutions	-	6,245	6,811	75,363	-	149	2,065	-	90,633
Commercial and Other Institutionals	-	2,594	62,695	121,999	-	10,992	60,941	-	259,221
Banks and Participation Banks	-	131,698	29,378	1,484	-	-	-	-	162,560
<b>IX. Precious Metal Accounts</b>	404,567	-	7,212	239,325	-	7,902	-	-	659,006
<b>X. Profit Sharing Accounts Special Fund Pools-TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit Sharing Accounts Special Fund Pools-FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>3,440,407</b>	<b>4,148,792</b>	<b>5,361,752</b>	<b>641,863</b>	<b>-</b>	<b>354,350</b>	<b>1,194,554</b>	<b>-</b>	<b>15,141,718</b>



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### 1.2 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
<b>Real Persons Current and Profit Sharing Accounts that are not Subject to the Commercial Activities</b>	<b>5,917,598</b>	<b>5,172,050</b>	<b>6,183,337</b>	<b>4,794,572</b>
TL Accounts	4,401,276	3,829,189	3,337,737	2,740,294
FC Accounts	1,516,322	1,342,861	2,845,600	2,054,278
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

Guarantee of Deposit Insurance Fund changed insurance amount from TL 50 to TL 100 on the "Regulation On Deposits and Participation Funds Subject to Insurance and Premiums Collected by Savings Deposit Insurance Fund" dated 15 February 2013.

### 1.3 Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts held by Shareholders and Their Relatives	-	-
Profit Sharing Accounts and Other Accounts of the Chairman and Board of Directors, Chief Executive Officer, Senior Executive Officers and Their Relatives	61,645	45,898
Profit Sharing Accounts and Other Accounts Held as Assets Subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26/9/2004	-	-
Off Shore banking Regions' Profit Sharing Accounts	-	-

### 1.4. Information on the Current and Profit Sharing Accounts of the Participation Bank with Head Office Abroad, if the Saving Deposits in the Branches of the Participation Bank Located in Turkey are Under the Guarantee of Saving Deposit Insurance in that Country Abroad

The center of the Participation Bank is in Turkey and under the guarantee of Saving Deposits Insurance Fund of Turkey.

### 1.5. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

Total of current and profit sharing accounts which are not under the guarantee of Deposit Insurance Fund is TL 61,645 (31 December 2013: TL 45,898).

## 2. Negative Differences on Derivative Financial Liabilities Held for Trading

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transaction	4,393	3,361	21,646	2,679
Swap Transaction	365	1,363	-	13,981
Future	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,758</b>	<b>4,724</b>	<b>21,646</b>	<b>16,660</b>

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## 3. Information on Borrowings

### 3.1 Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from the Central Bank of Turkey	-	-	-	-
Funds Borrowed from Domestic Banks and Institutions	60,403	2,928,920	-	1,139,294
Funds Borrowed from Foreign Banks, Institutions and Funds	490,400	5,089,692	161,147	3,865,568
<b>Total</b>	<b>550,803</b>	<b>8,018,612</b>	<b>161,147</b>	<b>5,004,862</b>

### 3.2 Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TP	YP	TP	YP
Short-Term	177,268	3,604,446	-	2,163,459
Medium and Long-Term	373,535	4,414,166	161,147	2,841,403
<b>Total</b>	<b>550,803</b>	<b>8,018,612</b>	<b>161,147</b>	<b>5,004,862</b>

## 4. Other Liabilities Exceeding 10% of the Balance Sheet Total and the Breakdown of Such Liabilities Constituting at Least 20% of the Grand Total

Other liabilities do not exceed 10% of total liabilities as of 31 December 2014 and 31 December 2013.

## 5. Information on Finance Lease Payables (net)

5.1. 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 Participation Bank

None (31 December 2013: None).

5.2. The Explanation on Modifications in Agreements and New Obligations Resulting from such Modifications

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	145,644	143,600	-	-
1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>145,644</b>	<b>143,600</b>	<b>-</b>	<b>-</b>

Finance lease payables as of 31 December 2014 arises from accounting of the transaction of issuing certificate of rent (sukuk) as sale and leaseback transaction in accordance with TAS 17. Participation Bank sold its real estates with a maturity of 179 days and amounting to TL 155,814 to TF Varlık Kiralama A.Ş. and lease back on 28 August 2014.

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### 6. Information on Derivative Financial Liabilities Held for Risk Management

	Current Period		Prior Period	
	TP	YP	TP	YP
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	51,547	-	-
Foreign net investment hedge	-	-	-	-
<b>Total</b>	<b>-</b>	<b>51,547</b>	<b>-</b>	<b>-</b>

Derivative financial assets held for risk management are explained in detail in Unit 4, XIV footnote.

### 7. Information on Provisions

#### 7.1. Information on General Provisions

	Current Period	Prior Period
General Provisions	199,612	150,439
Provision for Group 1. Loans and Receivables	155,734	114,838
Profit Sharing Accounts' Share	63,922	49,199
The Bank's Share	91,812	65,639
Other	-	-
Additional provisions for Group 1. loans with extended payment plan	1,728	1,888
Profit Sharing Accounts' Share	656	404
The Bank's Share	1,072	1,484
Other	-	-
Provision for Group 2. Loans and Receivables	25,559	20,225
Profit Sharing Accounts' Share	8,682	7,290
The Bank's Share	16,877	12,935
Other	-	-
Additional provisions for Group 2. loans with extended payment plan	10,455	7,476
Profit Sharing Accounts' Share	3,343	2,644
The Bank's Share	7,112	4,832
Other	-	-
Provision for Non Cash Loans	18,319	15,376
Other	-	-

#### 7.2. Information on Foreign Exchange Losses on the Foreign Currency Indexed Loans and Finance Lease Receivables

Foreign exchange differences on foreign currency indexed loans amounting to TL 35,831 are netted with loans on the asset side as of balance sheet date (31 December 2013: TL 764).

#### 7.3. Information on Employee Termination Benefits

The Participation Bank's provision amount for unused vacation is TL 10,634 (31 December 2013: TL 11,597), provision amount for performance premium is TL 24,814 (31 December 2013: TL 24,454) and provision amount for severance indemnities is TL 43,117 (31 December 2013: TL 34,060) as of 31 December 2014.

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## Employee Termination Movement Statements

	Current Period	Prior Period
As of 1 January 2014	34,060	15,824
Current Service Cost	4,958	2,317
Profit share cost	2,984	1,127
Actuarial profit/loss <sup>(*)</sup>	3,052	16,702
Accounted profit/loss	333	1,297
Indemnity paid during the period	(2,270)	(3,207)
Total severance obligation	43,117	34,060

<sup>(\*)</sup> Actuarial losses of employee termination benefits amount to TL 19,754 are accounted under other capital reserves net amount to TL 15,803 which is net off deferred tax amount to TL 3,951.

## 7.4. Information on Other Provisions

### 7.4.1 Information on Provisions for possible risks

None (31 December 2013: None).

### 7.4.2. Other Provisions Exceeding 10% of Total Provisions and Name, Amount and Breakdown of Such Provisions

	Current Period	Prior Period
Specific Provision for Cheques	6,735	18,647
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	25,929	33,108
Provision for Lawsuits against Participation Bank	11,565	7,664
Provision for Decrease in Value Spot Derivative Transactions	586	834
Provision for Profits will be Allocated to Participation Accounts <sup>(*)</sup>	28,942	27,606
Provision for Credit Cards Promotion Commitments	2,042	1,880
<b>Total</b>	<b>75,799</b>	<b>89,739</b>

<sup>(\*)</sup> According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, the amount is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

## 8. Information on Tax Liability

### 8.1. Explanations Related to Current Tax Liability

#### 8.1.1. Information on Tax Provision

The Participation Bank has corporate tax liability amounting to TL 111,835 (31 December 2013: TL 80,719) and prepaid tax amounting to TL 75,629 (31 December 2013: TL 67,679) as of 31 December 2013. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.

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### 8.1.2. Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	36,206	13,040
Tax on Securities Income	9,974	7,453
Tax on Real Estate Income	843	713
Banking Insurance Transaction Tax	11,899	8,924
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payables	2,327	1,598
Other	7,605	5,309
<b>Total</b>	<b>68,854</b>	<b>37,037</b>

### 8.1.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	2,864	2,193
Social Security Premiums-Employer	3,051	2,363
Bank Pension Fund Premiums- Employees	-	-
Bank Pension Fund Premiums- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employers	-	-
Unemployment Insurance- Employees	205	157
Unemployment Insurance- Employer	409	313
Other	47	52
<b>Total</b>	<b>6,576</b>	<b>5,078</b>

### 8.2. Information on Deferred Tax Liabilities

None (31 December 2013: None).

### 9. Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations

None (31 December 2013: None).

### 10. Information on Subordinated Loans

None (31 December 2013: None).

### 11. Information on Shareholders' Equity

#### 11.1. Presentation of Paid-in Capital

	Current Period	Prior Period
Common Stock	2,600,000	1,775,000
Preferred Stock	-	-

#### 11.2. Paid-in Capital Amount, Explanation as to Whether the Registered Share Capital System is Applicable at Participation Bank if so Amount of Registered Share Capital Ceiling

Registered share capital system is not applied in Participation Bank.

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## 11.2.1 Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in Current Period

As of 31 December 2014 Participation Bank increased its capital total amounting to TL 825,000 consisting of amounting TL 225,000 paid in cash and amounting to TL 600,000 from extraordinary reserve (2013: total amounting to TL 125,000 paid in cash).

## 11.2.2 Information on Capital Reserves Transferred to the Capital During the Period

During the current period Participation Bank transferred TL 600,000 capital reserves to the capital (31 December 2013: None).

No balance has been added to capital reserves from revaluation fund in the current period (31 December 2013: None).

## 11.2.3 Capital Commitments in the Last Fiscal Year and at the end of the Following Interim Period, the General Purpose of These Commitments and Projected Resources Required Meeting These Commitments

None (31 December 2013: None).

## 11.3. Indicators of the Participation Bank's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Participation Bank's Equity Due to the Uncertainty of These Indicators

None (31 December 2013: None).

## 11.4. Information on Preferred Shares

None (31 December 2013: None).

## 11.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Securities Available for Sale	7,431	3,939	(20,836)	(15,959)
Valuation Differences	7,431	3,939	(20,836)	(15,959)
Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>7,431</b>	<b>3,939</b>	<b>(20,836)</b>	<b>(15,959)</b>

## 11.6. Other Information on Shareholders' Equity

By a decision taken in the Participation Bank's General Assembly dated 28 March 2014, the profit of the year 2013 that is amounting to TL 329,277 was transferred to statutory reserves and extraordinary reserves amounting to TL 16,590 and TL 312,687 respectively.

## III. Explanations Related to the Off-Balance Sheet Items

### 1. Information on Off-Balance Sheet Liabilities

#### 1.1. Types and Amounts of Irrevocable Loan Commitments

	Current Period	Prior Period
Asset purchase-sale commitments	1,435,707	492,668
Commitments for Subsidiaries and Affiliates	26,616	17,018
Commitments for Check Payments	1,253,169	1,109,434
Tax and Fund Liabilities from Export Commitments	1,678	2,033
Commitments for Credit Card Expenditure Limits	805,524	706,334
Commitments for Credit Cards and Banking Services Promotions	1,253	1,068
Other	38,309	34,205
<b>Total</b>	<b>3,562,256</b>	<b>2,362,760</b>

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### 1.2. Nature and Amount of Irrevocable Loan Commitments

#### 1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantee and Other Letters of Credits

	Current Period	Prior Period
Guarantees	9,230,089	7,726,279
Acceptances	514,122	435,940
Letter of Credits	904,206	741,920
Other guarantees	-	-
<b>Total</b>	<b>10,648,417</b>	<b>8,904,139</b>

#### 1.2.2. Permanent Guarantees, Temporary Guarantees, Suretyships and Similar Transactions

	Current Period	Prior Period
Temporary Guarantee Letters	1,260,248	1,180,089
Permanent Guarantee Letters	4,997,974	4,207,154
Advance Guarantee Letters	430,384	504,690
Guarantee Letters Given to Duties	396,201	359,995
Other Guarantee Letters	2,145,282	1,474,351
<b>Total</b>	<b>9,230,089</b>	<b>7,726,279</b>

#### 1.2.3. Total Non-Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	1,227,358	744,686
With maturity of 1 year or less than 1 year	70,804	17,680
With maturity more than 1 year	1,156,554	727,006
Other non cash loans	9,421,059	8,159,453
<b>Total</b>	<b>10,648,417</b>	<b>8,904,139</b>

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## 1.2.4. Information on Sectoral Risk Concentration of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>79,983</b>	<b>1.28</b>	<b>38,796</b>	<b>0.88</b>	<b>79,222</b>	<b>1.47</b>	<b>42,218</b>	<b>1.19</b>
Farming and Stockbreeding	79,876	1.28	38,796	0.88	79,115	1.47	42,218	1.19
Forestry	5	0.00	-	0.00	5	0.00	-	0.00
Fishery	102	0.00	-	0.00	102	0.00	-	0.00
<b>Manufacturing</b>	<b>1,059,920</b>	<b>16.93</b>	<b>2,062,700</b>	<b>47.00</b>	<b>1,056,233</b>	<b>19.69</b>	<b>1,752,349</b>	<b>49.54</b>
Mining	69,077	1.10	81,091	1.85	64,737	1.21	58,974	1.67
Production	855,190	13.66	1,762,299	40.15	828,451	15.44	1,527,181	43.17
Electricity, Gas, Water	135,653	2.17	219,310	5.00	163,045	3.04	166,194	4.70
<b>Construction</b>	<b>2,399,012</b>	<b>38.33</b>	<b>869,400</b>	<b>19.81</b>	<b>2,084,663</b>	<b>38.85</b>	<b>582,435</b>	<b>16.46</b>
<b>Services</b>	<b>2,659,105</b>	<b>42.49</b>	<b>1,400,998</b>	<b>31.91</b>	<b>2,101,092</b>	<b>39.15</b>	<b>1,132,742</b>	<b>32.01</b>
Wholesale and Retail Trade	1,291,568	20.64	778,325	17.73	1,065,310	19.85	638,821	18.06
Hotel, Food and Beverage Services	20,372	0.33	106,597	2.43	21,738	0.41	94,249	2.66
Transportation and Telecommunication	231,033	3.69	323,210	7.36	161,603	3.01	265,141	7.49
Financial Institutions	17,589	0.28	33,240	0.76	14,849	0.28	36,080	1.02
Real Estate and Renting Services	986,423	15.75	151,870	3.46	705,986	13.15	97,287	2.75
"Self-Employment" Type Services	-	0.00	-	0.00	-	0.00	-	0.00
Educational Services	21,630	0.35	107	0.00	27,477	0.51	76	0.00
Health and Social Services	90,490	1.45	7,649	0.17	104,129	1.94	1,088	0.03
<b>Other</b>	<b>60,660</b>	<b>0.97</b>	<b>17,843</b>	<b>0.40</b>	<b>44,973</b>	<b>0.84</b>	<b>28,212</b>	<b>0.80</b>
<b>Total</b>	<b>6,258,680</b>	<b>100.00</b>	<b>4,389,737</b>	<b>100.00</b>	<b>5,366,183</b>	<b>100.00</b>	<b>3,537,956</b>	<b>100.00</b>

## 1.2.5. Information on Ist and IInd Group Non-Cash Loans

	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>6,143,917</b>	<b>4,364,012</b>	<b>114,763</b>	<b>25,725</b>
Letters of Guarantee	6,137,841	2,967,189	114,763	10,296
Endorsements and Acceptances	4,577	509,296	-	249
Letters of Credit	1,499	887,527	-	15,180
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-



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## 2. Explanations Related to the Derivative Financial Instruments

	Current Period	Prior Period
<b>Type of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I):</b>	<b>6,766,010</b>	<b>6,758,916</b>
Forward Transactions	1,743,652	3,464,413
Swap Transactions	5,022,358	3,294,503
Futures Transactions	-	-
Option Transactions	-	-
<b>Other Trading Derivative Transactions (II)</b>	<b>611,335</b>	<b>375,937</b>
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>7,377,345</b>	<b>7,134,853</b>

## 3. Explanations Related to the Contingent Liabilities and Assets

None (31 December 2013: None).

## 4. Services rendered on behalf of third parties

None (31 December 2013: None).

## IV. Explanations Related to the Income Statement

### 1. Profit Share Income

#### 1.1. Information on Profit Share on Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share on Loans <sup>(1)</sup>	1,868,361	55,184	1,387,011	49,919
Short Term Loans	524,092	15,218	350,690	10,228
Medium and Long Term Loans	1,337,497	39,966	1,027,905	39,691
Profit Share on Non Performing Loans	6,772	-	8,416	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>1,868,361</b>	<b>55,184</b>	<b>1,387,011</b>	<b>49,919</b>

<sup>(1)</sup> Profit Share on Loans includes commission income on cash loans.

#### 1.2. Information on Profit Share on Participation Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	529	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	320	135	302
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>529</b>	<b>320</b>	<b>135</b>	<b>302</b>

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## 1.3. Information on Profit Share on Marketable Securities Portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Financial Assets Available for Sale	85,958	16,222	58,108	8,460
Investments Held to Maturity	36,950	-	-	-
<b>Total</b>	<b>122,908</b>	<b>16,222</b>	<b>58,108</b>	<b>8,460</b>

## 1.4. Information on Profit Share Income Received from Associates and Subsidiaries

None (31 December 2013: None).

## 2. Profit Share Expenses

### 2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	15,201	134,710	6,455	103,729
Central Bank of Turkey	-	-	-	-
Domestic Banks	-	1,592	-	1,281
Foreign Banks <sup>(*)</sup>	15,201	133,118	6,455	102,448
Branches and Head Office Abroad	-	-	-	-
Other Institutions	1,376	102,507	-	27,008
<b>Total</b>	<b>16,577</b>	<b>237,217</b>	<b>6,455</b>	<b>130,737</b>

(\*) Profit Share on Funds Borrowed includes commission expense on cash loans.

### 2.2. Profit Share Expense Given to Associates and Subsidiaries

	Current Period	Prior Period
Profit Share Expense Given to Associates and Subsidiaries	112,470	27,008

### 2.3. Information on Profit Share Expense to Marketable Securities Issued

None (31 December 2013: None).

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## 2.4. Distribution of Profit Share Expense on Funds Collected Based on Maturity of Funds Collected

Account Name	Profit Sharing Accounts					Accumulated Profit Sharing Account	Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>Turkish Lira</b>							
Funds Collected from Banks via Current and Profit Sharing Accounts	102	17,169	1,419	-	-	-	18,690
Real Person's Non Commercial Profit Sharing Acc.	158,916	243,925	7,004	8,773	33,973	-	452,591
Public Sector Profit Sharing Acc.	5	1,962	-	-	-	-	1,967
Commercial Sector Profit Sharing Acc.	23,261	92,524	5,420	5,403	6,334	-	132,942
Other Institutions Profit Sharing Acc.	2,756	18,964	481	86	343	-	22,630
<b>Total</b>	<b>185,040</b>	<b>374,544</b>	<b>14,324</b>	<b>14,262</b>	<b>40,650</b>	<b>-</b>	<b>628,820</b>
<b>Foreign Currency</b>							
Banks	2,032	4,586	-	351	-	-	6,969
Real Person's Non Commercial Profit Sharing Acc.	24,303	36,221	2,096	4,007	7,013	-	73,640
Public Sector Profit Sharing Acc.	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Acc.	6,820	26,795	149	1,597	1,044	-	36,405
Other Institutions Profit Sharing Acc.	301	1,851	1,443	808	1,680	-	6,083
Precious Metal Accounts	-	44	1,499	122	-	-	1,665
<b>Total</b>	<b>33,456</b>	<b>69,497</b>	<b>5,187</b>	<b>6,885</b>	<b>9,737</b>	<b>-</b>	<b>124,762</b>
<b>Grand Total</b>	<b>218,496</b>	<b>444,041</b>	<b>19,511</b>	<b>21,147</b>	<b>50,387</b>	<b>-</b>	<b>753,582</b>

### 3. Information on Dividend Income

None (31 December 2013: None).

### 4. Information on Trading Income/Losses (net)

	Current Period	Previous Period
<b>Income</b>	<b>2,782,686</b>	<b>2,451,529</b>
Trading Account Income	1,782	1,238
Derivative Financial Instruments	566,311	514,178
Foreign Exchange Gains	2,214,593	1,936,113
<b>Losses (-)</b>	<b>(2,757,029)</b>	<b>(2,379,852)</b>
Trading Account Losses	(935)	(37)
Derivative Financial Instruments	(604,937)	(477,068)
Foreign Exchange Losses	(2,151,157)	(1,902,747)

Foreign exchange gains from the exchange rate changes of derivative financial instruments: TL 28,823 (31 December 2013: TL 32,381). TL 21,029 (31 December 2013: TL 29,830) of foreign exchange losses are resulted from the exchange rate changes of derivative financial instruments.

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## 5. Information on Other Operating Income

	Current Period	Previous Period
Communication Expense Charged to Customers	7,237	6,520
Gain on Sale of Assets	11,239	8,081
Checkbook Expenses	9,502	5,188
Reversals Related to Prior Year's Expenses	121,358	69,273
Other	21,865	19,172
<b>Total</b>	<b>171,201</b>	<b>108,234</b>

## 6. Provision Expenses Related To Loans and Other Receivables of the Participation Bank

	Current Period	Previous Period
<b>Specific Provisions for Loans and Other Receivables</b>	<b>220,188</b>	<b>154,990</b>
III. Group	40,000	19,490
IV. Group	67,293	66,335
V. Group	107,028	65,067
Doubtful Commission, Fee and Other Receivables	5,867	4,098
<b>General Provision Expenses</b>	<b>49,651</b>	<b>13,349</b>
<b>Provision Expenses for Possible Losses</b>	-	-
<b>Marketable Securities Impairment Losses</b>	-	-
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	-	-
<b>Impairment Provision Expenses</b>	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
<b>Other <sup>(*)</sup></b>	<b>29,623</b>	<b>34,411</b>
<b>Total</b>	<b>299,462</b>	<b>202,750</b>

<sup>(\*)</sup> Other provision expenses amounting to TL 29,623 comprised of specific provision expenses for cheques amounting to TL 2,226, specific provision expenses for non-cash loans not indemnified or not converted into cash amounting to TL 6,374, specific provision expenses allocated to participation accounts amounting to TL 17,122 and provision expenses for law suits amounting to TL 3,901 (31 December 2013: Other provision expenses amounting to TL 34,411 comprised of specific provision expenses for cheques amounting to TL 3,563, specific provision expenses for non-cash loans not indemnified or not converted into cash amounting to TL 12,563, specific provision expenses allocated to participation accounts amounting to TL 15,286 and provision expense for law suits amounting to TL 2,999).

Türkiye Finans Katılım Bankası AŞ

## Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

### 7. Information on Other Operating Expenses

	Current Period	Previous Period
Personnel Expenses	350,426	287,003
Reserve for Employee Termination Benefits	6,005	1,534
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	1,207	-
Depreciation Expenses of Tangible Assets	32,379	25,659
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	20,819	11,738
Impairment Provision for Investments Accounted for Under Equity Method	-	-
Impairment Losses on Assets to be Disposed	811	426
Depreciation Expenses of Assets to be Disposed	940	787
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	191,228	150,665
Operating Lease Expenses	66,886	53,682
Repair and Maintenance Expenses	5,297	4,407
Advertisement Expenses	33,117	23,826
Other Expenses	85,928	68,750
Loss on Sales of Assets	857	212
Other	113,869	88,980
<b>Total</b>	<b>718,541</b>	<b>567,004</b>

### 8. Explanations Related to the Profit/Loss Before Taxes Including Profit/Loss from Discontinued Operations

The Participation Bank's profit before taxes realized at TL 425,285 increasing by 3.1% comparing to the prior year. The profit before taxes includes a net profit share income of TL 1,097,832 a net fees and commission income of TL 148,598. Operating expenses are amounted to TL 718,541.

### 9. Information on Provision for Taxes

The Participation Bank tax reconciliation is listed below:

	Current Period	Prior Period
Profit Before Tax	425,285	412,512
Corporate Tax Ratio	% 20	% 20
Calculated Tax	85,057	82,502
	-	-
Deductions	(55,490)	(45,205)
Other	61,490	45,938
<b>Income Tax Expense</b>	<b>91,057</b>	<b>83,235</b>

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## 10. Explanations Related to the Net Profit/Loss Including Profit/Loss From Discontinued Operations

Net period profit is TL 334,228 (31 December 2013: TL 329,277).

## 11. Explanation on Net Period Profit/Loss

11.1 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 Participation Bank's Performance for the Period

Profit share income on regular banking operations is TL 2,169,968 and profit share expenses are TL 1,072,136 (31 December 2013: profit share income; TL 1,566,233 profit share expenses: TL 692,150).

11.2 Effect of Changes in Accounting Estimates on Income Statement for the Current and, If Any, for Subsequent Periods

None (31 December 2013: None).

11.3 Nature and Amount of Changes in Accounting Estimates which Have Material Effects on the Current Period or Expected to Have Material Effects on the Subsequent Periods

None (31 December 2013: None).

## 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 are shown below

Other Fees and Commissions Received	Current Period	Prior Period
Commissions of Letters of Credit on Imports	508	599
Commission of Collection Note/Check	3,147	2,573
Commissions on Remittance	9,471	8,015
Insurance Commissions	17,952	11,290
Credit Letter Commissions	2,688	1,973
Expert Fees	21,464	14,635
Credit Card Fees and Commissions	30,837	16,606
Commissions on Member Firm -POS	19,022	13,362
Cash Import Commissions	3,326	3,840
Other Commissions and Fees	31,101	21,691
<b>Total</b>	<b>139,516</b>	<b>94,584</b>
Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	38,536	16,282
7/24 Card Domestic ATM Commission Given	1,376	1,047
Credit Card Service and Usage Expense	4,886	3,546
Commissions and Fees Given for Remittance	1,039	1,705
Other Commissions and Fees	38,657	26,860
<b>Total</b>	<b>84,494</b>	<b>49,440</b>

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## V. Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement

### 1. Information on Any Increases Arising from Application of Accounting for Financial Instruments in the Current Period

#### 1.1 Increases from Valuation of Financial Assets Available-for-Sale

As of 31 December 2014 the total increase from valuation of financial assets available-for-sale is amounting TL 48,165 (31 December 2013: None).

#### 1.2 Increases Due to Cash Flow Hedges

None (31 December 2013: None).

#### 1.3 Increases Due to the Revaluation of Tangible Fixed Assets

As of 31 December 2014, total increase due to the revaluation of tangible fixed assets is amounting to TL 26,327 (31 December 2013: None).

### 2. Information on Any Decreases Arising from Application of Accounting for Financial Instruments in the Current Period

#### 2.1. Decreases from Valuation of Financial Assets Available-for-Sale

None (31 December 2013: TL 43,696).

#### 2.2. Decreases Due to Cash Flow Hedges

As of 31 December 2014, total decrease due to cash flow hedges is amounting to TL 3,668 (31 December 2013: None).

### 3. Information on Dividend

#### 3.1. Dividends Declared Subsequent to the Balance Sheet Date, but Before the Announcement of the Financial Statements

None.

#### 3.2. Dividends per Share Proposed Subsequent to the Balance Sheet Date

None.

### 4. Amounts Transferred to Legal Reserves

In the current period, the amount transferred to legal reserves is TL 16,590 and amount transferred to extraordinary reserves TL 312,687 (31 December 2013: to the legal reserves is TL 14,153 to the extraordinary reserves is TL 269,420).

### 5. Information on Shares Issued

#### 5.1. For All Capital Share Classes of the Participation Bank; Rights, Priorities and Restrictions about This Item Including Distribution of Dividend and Restrictions related to Repayment of Capital

None (31 December 2013: None).

#### 5.2. Explanations Related to Other Capital Increase Items in the Statements of Shareholders' Equity Movement

None.

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## VI. Explanations Related to Statement of Cash Flows

### 1. Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The “other” item amounting to a loss of TL 510,918 under operating profit before changes in operating assets and liabilities composes of fees and commissions paid, other operating expenses excluding employee costs and depreciation expense, provision expense (31 December 2013: TL 526,683 loss).

The “net increase in other liabilities” amounting to TL 110,928 under the changes in operating assets and liabilities is resulted from the changes in the miscellaneous payables and other external funding payables (31 December 2013: TL 626,497).

As of 31 December 2014, the effect of change in the exchange rate on cash and cash equivalents calculated a gain of TL 202,141 (31 December 2013: TL 477,828 gain).

### 2. Cash outflows from Acquisition of Associates, Subsidiaries and Joint-ventures

TFKB Varlık Kiralama AŞ, which was established with the amount TL 50 on 8 July 2014 and wholly owned by the Participation Bank. (31 December 2013: TFKB Varlık Kiralama AŞ, which was established with the amount TL 50 on 11 February 2013 and wholly owned by the Participation Bank).

### 3. Cash Inflows from Acquisition of Associates, Subsidiaries and Joint-ventures

None (31 December 2013: None).

### 4. Information on Cash and Cash Equivalents at Beginning and End of Periods

	Current Period	Prior Period
Cash	2,393,049	924,398
Cash in TL and Foreign Currency	213,091	149,645
Central Bank of Turkey	2,179,775	774,741
Other	183	12
Cash Equivalents	572,606	954,203
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	572,606	954,203
<b>Total Cash and Cash Equivalents</b>	<b>2,965,655</b>	<b>1,878,601</b>

### 5. Restricted Cash and Cash Equivalents of the Participation Bank Due to Legal Requirements or Other Reasons

The placements at Central Bank of Turkey include blocked accounts with a total principal balance of TL 2,749,896 (31 December 2013: TL 2,906,723) which is kept as reserve deposits for foreign currency liabilities.

### 6. Additional Information on Financial Position and Liquidity

#### 6.1. Restrictions on the Participation Bank’s potential borrowings

None (31 December 2013: None).

#### 6.2. Cash inflows presenting increase in operating capacity of the Participation Bank

The Participation Bank daily follows the cash transactions for banking activities continuance and the cash flow represents the increase in the banking activities is analyzed under this conditions.



Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## VII. Explanations on the Risk Group of the Participation Bank

### 1. Information on the volume of transactions relating to the Participation Bank's risk group, incomplete loan and funds collected transactions and period's profit and loss

#### 1.1. Information on loans and other receivables of the Participation Bank's risk group

Current Period

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
<b>Loans and Others Receivables</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	106	33,432	202,554	100,277
Balance at the end of the period <sup>(*)</sup>	-	-	117	24,475	99,128	86,904
<b>Profit Share and Commission Income</b>	-	-	<b>5,286</b>	-	<b>29,875</b>	<b>554</b>

(\*) Lease receivables from the Participation Bank's risk group are included in cash balances amounting to TL 8,760

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
<b>Loans and Others Receivables</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	116	74,318	85,459	89,573
Balance at the end of the period <sup>(*)</sup>	-	-	106	33,432	202,554	100,277
<b>Profit Share and Commission Income</b>	-	-	<b>422</b>	<b>7</b>	<b>49,747</b>	<b>579</b>

(\*) Lease receivables from the Participation Bank's risk group are included in cash balances amounting to TL 19,289.

#### 1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Participation Bank

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and Profit Sharing Accounts</b>						
Balance at the beginning of the period	38	-	220,461	197,213	97,125	126,926
Balance at the end of the period	371	38	287,685	220,461	197,774	97,125
<b>Profit Share Expenses <sup>(*)</sup></b>	-	-	<b>8,166</b>	<b>12,397</b>	<b>3,451</b>	<b>5,296</b>

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## 1.3. Forward Transactions, Option Contracts and Other Similar Contracts Made With the Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Transactions at fair value through profit/loss</b>						
Balance at the beginning of the period	-	-	-	-	-	9,032
Balance at the end of the period	-	-	-	-	37,623	-
Total Profit/Loss	-	-	-	-	(66)	3
<b>Derivative Instruments Held for Risk Management</b>						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

## 1.4. Funds Borrowed from the Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Loans Received</b>						
Balance at the Beginning of the period	1,074,246	-	1,114,834	935,865	-	-
Balance at the End of the period	3,072,918	1,074,246	1,205,341	1,114,834	-	-
<b>Profit Share and Commission Expense <sup>(*)</sup></b>	<b>112,470</b>	<b>27,008</b>	<b>44,715</b>	<b>37,320</b>	-	-

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## VIII. Explanations on the Participation Bank's Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies

### 1. Explanations on the Participation Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

	Number	Employees*		Total Assets	Capital
Domestic Branches	280	2,919			
	-	-	Country		
Rep-Offices Abroad	-	-	1-		
	-	-	2-		
Branches Abroad	-	-	1-		
	-	-	2-		
Off-Shore Branches	-	-	1-		
	-	-	2-		

\* Employee's number consists of branch employees. As of 31 December 2014, 1,559 employees work at the head office.

### 2. Explanations on Branch and Agency Openings or Closings of the Participation Bank

In 2014, Participation Bank opened 30 new domestic branches.

## IX. Explanations Related to Subsequent Events

### 1. Transactions Not Finalized Yet Related to Subsequent Events and Their Impact on Financial Statements

None.

### 2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users

None.

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## SECTION SIX

### OTHER EXPLANATIONS

#### I. Other Explanations Related to Participation Bank's Operations

Summary information of the Participation Bank related to rating given by international rating agencies:

<b>Foreign Currency</b>	
Long Term	BBB
Short Term	F3
View	Stable
<b>Turkish Lira</b>	
Long Term	BBB+
Short Term	F2
View	Stable
<b>National</b>	
Long Term	AAA(tur)
Financial Capacity Note	bb-
Stand By Note	2
View	Stable

Information obtained from Fitch Ratings Report published at 3 December 2014.

Türkiye Finans Katılım Bankası AŞ

# Unconsolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## SECTION SEVEN

### INDEPENDENT AUDITOR'S REPORT

#### I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements of the Participation Bank as of and for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 13 February 2015 is presented in the introduction of this report. It was noted in their report that the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Finans Katılım Bankası AŞ as of 31 December 2014 and the result of its operations.

#### II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

# Independent Auditors' Report

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



**Akis Bağımsız Denetim ve Serbest  
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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Third Section)

## **To the Board of Directors of Türkiye Finans Katılım Bankası AŞ:**

We have audited the consolidated balance sheet of Türkiye Finans Katılım Bankası AŞ (the "Bank") and its financial subsidiary (together the "Group") as of 31 December 2014 and the consolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

### *Disclosure for the Responsibility of the Bank's Board of Directors*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

### *Disclosure for the Responsibility of the Authorized Audit Firm*

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

## Independent Auditors' Report

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

### *Independent Auditor's Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Finans Katılım Bankası AŞ and its financial subsidiary as of 31 December 2014 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and 38 of (Turkish) Banking Law No 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

### *Report on Other Legal and Regulatory Requirements*

- 1) Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ  
A member of KPMG International Cooperative



Alper Güvenç, SMMM  
*Partner*

13 February 2015  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

As explained in Note 1 in Third Section, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Türkiye Finans Katılım Bankası AŞ

# The Consolidated Financial Report of Türkiye Finans Katılım Bankası A.Ş. For the year Ended 31 December 2014

Address of the Headquarter of the Bank: Adnan Kahveci Caddesi No:131 34876 Yakacık – Kartal/İstanbul  
Phone and Fax Numbers of the Bank: 0 216 586 70 00/0 216 586 63 26  
Website of the Bank: www.turkiyefinans.com.tr  
Electronic Mail Address to Contact: maliisler@turkiyefinans.com.tr

The consolidated Year-End Financial Report prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

GENERAL INFORMATION ABOUT THE PARENT BANK

CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK

EXPLANATIONS ON ACCOUNTING POLICIES OF THE PARENT BANK

EXPLANATIONS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK INFORMATION ON FINANCIAL STRUCTURE OF THE PARENT BANK

EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Subsidiaries whose financial statement has been consolidated in the consolidated financial report are as follows:

## Subsidiaries

1. TF Varlık Kiralama AŞ
2. TFKB Varlık Kiralama AŞ

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

Mustafa BOYDAK

Chairman of the Board of Directors

V. Derya GÜREERK

General Manager

Abdüllatif ÖZKAYNAK

Finance Executive Vice President

Eyüp ASKER

Financial Reporting & Control Vice  
President

Oğuz KAYHAN

Audit Committee Member

Lama Ahmad M GHAZZAOUI

Audit Committee Member

Information on the authorized personnel to whom questions may be directed related to this financial report:

Name-Surname/Title: Sefa SEYHAN/Manager

Phone Nr: 0216 586 91 86 Fax Nr : 0216 586 63 34



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# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

## SECTION ONE

### GENERAL INFORMATION

#### I. Explanations on the date of establishment and the initial status of the Parent Participation Bank, and the history including the changes in the former status

Participation banks started their operations in accordance with the Provision on Establishment of Participation Banks of Decree No. 83/7506 dated 16 December 1983, and the related Communiqués issued by Prime Ministry Undersecretariat of Treasury and by Central Bank of Turkish Republic. Participation banks then continued their operations in accordance with Banking Act Nr. 4389, dated 18 June 1999, with the change declared in Act Nr. 4491, dated 17 December 1999. In the Provisional Article Nr. 3, of Act Nr. 4491, a transition period of two years is stated to complete the compliance to Banking Act. The Parent Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Parent Participation Bank began its operations on 4 November 1991 in accordance with the regulation nr.83/7506 published on 16 December 1983.

According to the decision made by Board of Directors' meeting of Anadolu Finans Kurumu AŞ nr. 1047 on 31 May 2005, it is decided that Anadolu Finans Kurumu AŞ is merged with Family Finans Kurumu AŞ.

The merger was realized by transferring all assets, liabilities and off-balance sheet items of Family Finans Kurumu AŞ to Anadolu Finans Kurumu AŞ. Banking Regulation and Supervision Agency ("BRSA") affirmed both the transfer agreement signed between Anadolu Finans Kurumu AŞ and Family Finans Kurumu AŞ and alterations in primary contract of Anadolu Finans Kurumu AŞ on 20 October 2005. Decision related to merger was approved by the decree nr. 1764 dated 28 December 2005 of BRSA.

BRSA approved the title of the Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Parent Participation Bank"), during the merger process, with the decision dated 30 November 2005 and Nr. 1747, in compliance with Article 48 of Turkish Commercial Code, and subject to the approval of Council of Ministers. The change in title of the Participation Bank was registered by T.R. Istanbul Trade Registry Office on 30 December 2005, in compliance with Turkish Commercial Code Nr. 6762.

As 31 December 2014 the Parent Bank operates through 280 branches with 4,478 employees.

#### II. Explanations regarding Participation Bank's shareholder structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current period, if any and explanations on the controlling group of the Parent Participation Bank

The shareholder structure of the Participation Bank is presented in note IV.

With the authorization of BRSA, numbered 2489 and dated 28 February 2008, 60% of the Parent Participation Bank was acquired by the National Commercial Bank. The Parent Participation Bank increased its capital from TL 292,047 to TL 800,000 with the capital increase in 2008. As per the decision has been taken by the Extraordinary General Assembly on 6 June 2012, the Parent Bank's share capital will increase by TL 975,000 from TL 800,000 to TL 1,775,000. The part of this increase amounting to TL 700,000 will be transferred from general reserve and the remaining part amounting to TL 275,000 will be paid in cash. Cash commitment amounting to TL 150,000 was paid by shareholders on 2 October 2012 and recorded into capital accounts on 19 November 2012. As of 31 December 2012, cash commitment amounting to TL 125,000 was paid by shareholders and recorded into capital accounts on with the approval of Banking Regulation and Supervision Agency on increase dated 6 February 2013. As per decision has taken by the Extraordinary General Assembly on 29 August 2014, the Parent Bank's share capital will increase by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 will be transferred from extraordinary reserves and the remaining part amounting to TL 225,000 will be paid in cash. Cash commitment amounting to TL 100,000 recorded into capital accounts on 24 October 2014, and remaining part amounting to TL 125,000 recorded into capital accounts on 19 November 2014 with the approval of Banking Regulation and Supervision Agency.

As of 31 December 2014, the shares are as follows; the National Commercial Bank 67.03%, Boydak Group holds 22.34%, Ülker Group holds 10.57%; and they have the main controlling power after merger.

As of 31 December 2014, the Parent Participation Bank's paid-in-capital consists of 2,600,000,000 shares of TL 1 nominal each.

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The Parent Participation Bank is controlled by the National Commercial Bank group.

The National Commercial Bank (NCB) established as the first and the biggest bank of Saudi Arabia. The Parent Bank is performing its banking operations through cross-border in Bahrain and Lebanon. The headquarter of The National Commercial Bank is located in Jeddah.

### III. Explanations regarding the Chairman and the Members of Board of Directors, Audit Committee, Chief Executive Officer and Assistants, if any, their shares and responsibilities in the Parent Participation Bank

Title	Name and Surname	Educational Degree	Responsibilities	Ownership percentage %
Chairman of the Board of Directors	Mustafa Boydak	University	Chairman of the Board of Directors	1.90
Members of the Board	Saeed Mohammed A. Alghamdi	University	Member of the Board	-
	Oğuz Kayhan	Master	Member of the Board and the Audit Committee	-
	Halil Cem Karakaş	Doctorate	Member of the Board	-
	Alsharif Khalid AlGhalib	Master	Member of the Board	-
	Lama Ahmad M Ghazzaoui	University	Member of the Board and the Audit Committee	-
	Veysel Derya Güreker (General Manager)	Master	Member of the Board and General Manager	-
	Members of the Audit Committee	Oğuz Kayhan	Master	Member of the Board and the Audit Committee
Lama Ahmad M Ghazzaoui		University	Member of the Board and the Audit Committee	-
Presidents	Osman ÇELİK	University	Commercial Banking	-
	İkram GÖKTAŞ	University	Distribution and Service	-
	Zühal Ulutürk	Master	Human Resources	-
	Erol GÖRGÜN	Master	Loans	-
	Menduh KARA	University	SME Banking	-
	Fahri ÖBEK	Master	Information Technology	-
	Semih ALŞAR	Master	Retail Banking	-
	Abdüllatif ÖZKAYNAK	University	Finance	-
	Ali GÜNEY	University	Treasury	-
	Dursun ARSLAN	Master	Operation and Strategy	-

According to a decision of Board of Directors on 28 March 2014, six board members except the general manager to serve for a period of three years revised. According to a decision of Board of Directors on 28 March 2014, Halil Cem Karakaş and Lama Ahmad M Gazzaoui are appointed as Member of Board instead of Mehmet Atilla Kurama and Brain Keith Belcher respectively.

Türkiye Finans Katılım Bankası AŞ

## Consolidated Financial Report as of and For the Year Ended 31 December 2014

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### IV. Explanations on the people and institutions that have qualified shares of the Parent Participation Bank

Name Surname/Commercial Name	Share Amounts	Share Ratio %	Paid Up Shares	Unpaid Shares
THE NATIONAL COMMERCIAL BANK	1,742,676	67.03	1,742,676	-
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.	274,838	10.57	274,838	-
(HACI) MUSTAFA BOYDAK (1934)	60,994	2.35	60,994	-
BOYDAK HOLDİNG A.Ş.	58,090	2.23	58,090	-
MUSTAFA BOYDAK (1963 - Sami's son)	49,275	1.90	49,275	-
BEKİR BOYDAK	49,275	1.90	49,275	-
MEMDUH BOYDAK	49,275	1.90	49,275	-
YUSUF BOYDAK	46,381	1.78	46,381	-
ŞÜKRÜ BOYDAK	41,080	1.58	41,080	-
HACI BOYDAK	39,521	1.52	39,521	-

### V. Summary on the Parent Participation Bank's functions and areas of activity

The Parent Participation Bank operates in accordance with the principles of interest-free banking as a participation bank, by collecting funds through current accounts and profit sharing accounts, and lending such funds through production support, finance lease and profit/loss sharing partnership.

The Parent Participation Bank has two ways of collecting funds; current accounts and profit sharing accounts. The Participation Bank classifies current accounts and profit sharing accounts in accordance with their maturities in its accounting system. Profit sharing accounts are categorized into five different maturity groups; one month, up to three months (three months included), up to six months (six months included), up to one year and one year and more than one year (one month, three months, six months and one year profit share payment).

The Parent Participation Bank could determine the participation rates on profit/loss sharing accounts with respect to the maturity group of Turkish Lira and foreign currency accounts, separately under the limitation that the participation rate on loss shall not be less than 50%, for different currency type, amount and maturity groups specifically.

The Parent Participation Bank constitutes specific fund pools, allocated to the individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are distinguished from others with respect to the terms, accounted separately from the others and it is not allowed to make any transfers from these accounts to any other maturity groups. Specific fund pools are clarified at the end of the financing period.

In addition to ordinary banking activities, the Parent Participation Bank has services through branches. It has insurance agency operations through Eureko Sigorta, Işık Sigorta, Aviva Sigorta, Neova Sigorta, Groupama Sigorta and HDI Sigorta. Besides, it has private pension insurance agency operations on behalf of Garanti Emeklilik and Groupama Emeklilik. In addition, it has stock broker agency services on behalf of Bizim Menkul Değerler A.Ş.

On the other hand Parent Participation Bank mainly has services such as letters of guarantee, import credits and acceptance credits and other kind of non-cash credits as well.

The Parent Participation Bank's operations are not limited as mentioned above. In case of any transaction else made, not mentioned above, and considered as in favor of participating bank, upon the request of the board of directors, this case is adjudicated by general meeting and is proceeded to be got required approval from competent authority and depends on the approval of Ministry of commerce and customs. Thus, the approved decision is added on main agreement.

Türkiye Finans Katılım Bankası AŞ

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TF Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ which are wholly owned by the Parent Participation Bank have been established to generate (leasing/rental) income by leasing assets back to the originating company which were taken over from the originating company; by issuing leasing certificate related to aforementioned leasing (rental) income and then transferring the related assets back to the originating company.

## **VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods**

TF Varlık Kiralama AŞ, which was established on 11 February 2013 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from 30 June 2013.

TFKB Varlık Kiralama AŞ, which was established on 8 July 2014 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from 31 December 2014.

## **VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and Its Subsidiaries or the Reimbursement of Liabilities**

The transfer of shareholder's equity between the Parent Bank and its subsidiaries is not in question.

There is no restriction on existing or potential, actual or legal obstacles on the Reimbursement of Liabilities between the Parent Bank and its subsidiaries. The Parent Bank can receive or pay the amounts regarding rendering and getting services from its subsidiaries within the framework service agreements.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet (Statement of Financial Position)
- II. Off-balance sheet items
- III. Income statement
- IV. Statement of income/expense items accounted under shareholders' equity
- V. Statement of cash flows
- VI. Statement of changes in shareholders' equity
- VII. Profit distribution table

Türkiye Finans Katılım Bankası AŞ

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)							
ASSETS	Footnotes (5-I)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	885,425	4,271,199	5,156,624	558,306	3,277,948	3,836,254
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	9,503	16,607	26,110	33,927	12,742	46,669
2.1 Financial assets held for trading		9,503	16,607	26,110	33,927	12,742	46,669
2.1.1 Government debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		9,290	16,151	25,441	33,793	12,678	46,471
2.1.4 Other marketable securities		213	456	669	134	64	198
2.2 Financial assets at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	85,491	487,115	572,606	484,448	469,755	954,203
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	1,038,821	831,560	1,870,381	1,067,307	345,718	1,413,025
5.1 Equity securities		4,225	145	4,370	4,225	151	4,376
5.2 Government debt securities		1,034,596	726,809	1,761,405	1,063,082	345,567	1,408,649
5.3 Other marketable securities		-	104,606	104,606	-	-	-
<b>VI. LOANS</b>	(5)	21,658,485	1,397,937	23,056,422	16,528,993	918,968	17,447,961
6.1 Loans		21,430,015	1,397,937	22,827,952	16,414,441	916,269	17,330,710
6.1.1 Loans to the Bank's Risk Group		89,919	566	90,485	159,248	24,123	183,371
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		21,340,096	1,397,371	22,737,467	16,255,193	892,146	17,147,339
6.2 Non-performing loans		592,235	5,082	597,317	431,195	9,877	441,072
6.3 Specific provisions (-)		(363,765)	(5,082)	(368,847)	(316,643)	(7,178)	(323,821)
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	568,400	-	568,400	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
8.1 Consolidated under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial investments		-	-	-	-	-	-
8.2.2 Non-financial investments		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>X. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	(9)	-	-	-	-	-	-
10.1 Consolidated under equity method		-	-	-	-	-	-
10.2 Unconsolidated associates		-	-	-	-	-	-
10.2.1 Financial investments		-	-	-	-	-	-
10.2.2 Non-Financial investments		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	(10)	1,340,259	-	1,340,259	841,649	-	841,649
11.1 Finance lease receivables		1,589,067	-	1,589,067	968,255	-	968,255
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		(248,808)	-	(248,808)	(126,606)	-	(126,606)
<b>XII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	-	-	-	-	-	-
12.1 Fair value hedges		-	-	-	-	-	-
12.2 Cash flow hedges		-	-	-	-	-	-
12.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(12)	417,984	-	417,984	211,689	-	211,689
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(13)	49,165	-	49,165	37,149	-	37,149
14.1 Goodwill		-	-	-	-	-	-
14.2 Other intangibles		49,165	-	49,165	37,149	-	37,149
<b>XV. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVI. TAX ASSET</b>		32,456	-	32,456	22,649	-	22,649
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		32,456	-	32,456	22,649	-	22,649
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	142	-	142	67	-	67
17.1 Assets held for sale		142	-	142	67	-	67
17.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(17)	370,749	28,612	399,361	311,348	3,916	315,264
<b>TOTAL ASSETS</b>		26,456,880	7,033,030	33,489,910	20,097,532	5,029,047	25,126,579

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

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TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)								
		THOUSAND TURKISH LIRA						
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)			
		TL	FC	Total	TL	FC	Total	
<b>LIABILITIES AND EQUITY</b>								
<b>I.</b>	<b>FUNDS COLLECTED</b>	(1)	12,443,558	6,668,832	19,112,390	9,641,940	5,499,740	15,141,680
1.1	Funds from risk group of the Bank		278,989	206,471	485,460	178,072	139,514	317,586
1.2	Other		12,164,569	6,462,361	18,626,930	9,463,868	5,360,226	14,824,094
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	4,758	4,724	9,482	21,646	16,660	38,306
<b>III.</b>	<b>FUNDS BORROWED</b>	(3)	490,399	5,149,698	5,640,097	161,147	3,930,615	4,091,762
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>		652,629	-	652,629	721,560	-	721,560
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	202,949	2,868,914	3,071,863	-	1,074,246	1,074,246
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		785,116	163,241	948,357	523,932	111,031	634,963
<b>VII.</b>	<b>OTHER LIABILITIES</b>	(5)	401,761	22,007	423,768	529,523	19,752	549,275
<b>VIII.</b>	<b>LEASE PAYABLES (Net)</b>	(6)	-	-	-	-	-	-
8.1	Finance lease payables		-	-	-	-	-	-
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(7)	-	51,547	51,547	-	-	-
9.1	Fair value hedges		-	-	-	-	-	-
9.2	Cash flow hedges		-	51,547	51,547	-	-	-
9.3	Net foreign investment hedges		-	-	-	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	(8)	319,804	34,172	353,976	275,284	35,005	310,289
10.1	General loan loss provision		199,612	-	199,612	150,439	-	150,439
10.2	Provision for Restructuring		-	-	-	-	-	-
10.3	Reserve for employee benefits		78,565	-	78,565	70,111	-	70,111
10.4	Insurance technical reserves (Net)		-	-	-	-	-	-
10.5	Other provisions		41,627	34,172	75,799	54,734	35,005	89,739
<b>XI.</b>	<b>TAX LIABILITY</b>	(9)	75,518	-	75,518	42,117	-	42,117
11.1	Current tax liability		75,518	-	75,518	42,117	-	42,117
11.2	Deferred tax liability		-	-	-	-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(10)	-	-	-	-	-	-
12.1	Assets held for sale		-	-	-	-	-	-
12.2	Assets of discontinued operations		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBORDINATED DEBTS</b>	(11)	-	-	-	-	-	-
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(12)	3,150,012	271	3,150,283	2,538,340	(15,959)	2,522,381
14.1	Paid-in capital		2,600,000	-	2,600,000	1,775,000	-	1,775,000
14.2	Capital reserves		107,570	271	107,841	55,417	(15,959)	39,458
14.2.1	Share premium		-	-	-	-	-	-
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Securities value increase fund		7,431	3,939	11,370	(20,836)	(15,959)	(36,795)
14.2.4	Tangible assets revaluation reserve		115,942	-	115,942	89,615	-	89,615
14.2.5	Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6	Investment property revaluation reserve		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Ventures)		-	-	-	-	-	-
14.2.8	Hedging reserves (effective portion)		-	(3,668)	(3,668)	-	-	-
14.2.9	Accumulated revaluation reserves on assets held for sale and discontinued operations		-	-	-	-	-	-
14.2.10	Other capital reserves		(15,803)	-	(15,803)	(13,362)	-	(13,362)
14.3	Profit reserves		108,015	-	108,015	378,646	-	378,646
14.3.1	Legal reserves		88,826	-	88,826	72,236	-	72,236
14.3.2	Statutory reserves		-	-	-	-	-	-
14.3.3	Extraordinary reserves		19,097	-	19,097	306,410	-	306,410
14.3.4	Other profit reserves		92	-	92	-	-	-
14.4	Profit or loss		334,427	-	334,427	329,277	-	329,277
14.4.1	Prior years' profit/loss		-	-	-	-	-	-
14.4.2	Current period net profit/loss		334,427	-	334,427	329,277	-	329,277
14.5	Non-controlling interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>18,526,504</b>	<b>14,963,406</b>	<b>33,489,910</b>	<b>14,455,489</b>	<b>10,671,090</b>	<b>25,126,579</b>



Türkiye Finans Katılım Bankası AŞ

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS								
	Footnotes (5-III)	THOUSAND TURKISH LIRA						
		CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)			
		TL	FC	Total	TL	FC	Total	
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>9,575,637</b>	<b>12,012,381</b>	<b>21,588,018</b>	<b>9,027,390</b>	<b>9,374,362</b>	<b>18,401,752</b>	
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>6,258,680</b>	<b>4,389,737</b>	<b>10,648,417</b>	<b>5,366,183</b>	<b>3,537,956</b>	<b>8,904,139</b>	
1. Letters of guarantee		6,252,604	2,977,485	9,230,089	5,358,131	2,368,148	7,726,279	
1.1. Guarantees subject to State Tender Law		188,238	-	188,238	189,098	-	189,098	
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-	
1.1.3. Other letters of guarantee		6,064,366	2,977,485	9,041,851	5,169,033	2,368,148	7,537,181	
1.2. Bank acceptances		4,577	509,545	514,122	3,911	432,029	435,940	
1.2.1. Import letter of acceptance		4,477	509,545	514,022	953	432,029	432,982	
1.2.2. Other bank acceptances		100	-	100	2,958	-	2,958	
1.3. Letters of credit		1,499	902,707	904,206	4,141	737,779	741,920	
1.3.1. Documentary letters of credit		1,499	902,707	904,206	4,141	737,779	741,920	
1.3.2. Other letters of credit		-	-	-	-	-	-	
1.4. Guaranteed prefinancings		-	-	-	-	-	-	
1.5. Endorsements		-	-	-	-	-	-	
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-	
1.5.2. Other endorsements		-	-	-	-	-	-	
1.6. Other guarantees		-	-	-	-	-	-	
1.7. Other sureties		-	-	-	-	-	-	
<b>II. COMMITMENTS</b>	(1),(3)	<b>2,250,199</b>	<b>1,312,057</b>	<b>3,562,256</b>	<b>2,039,251</b>	<b>323,509</b>	<b>2,362,760</b>	
2. Irrevocable commitments		2,250,199	1,312,057	3,562,256	2,039,251	323,509	2,362,760	
2.1. Forward asset purchase and sale commitments		123,650	1,312,057	1,435,707	169,159	323,509	492,668	
2.1.2. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-	
2.1.3. Loan granting commitments		26,616	-	26,616	17,018	-	17,018	
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-	
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-	
2.1.6. Commitments for cheque payments		1,253,169	-	1,253,169	1,109,434	-	1,109,434	
2.1.7. Tax and fund obligations on export commitments		1,678	-	1,678	2,033	-	2,033	
2.1.8. Commitments for credit card limits		805,524	-	805,524	706,334	-	706,334	
2.1.9. Commitments for credit cards and banking services promotions		1,253	-	1,253	1,068	-	1,068	
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-	
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-	
2.1.12. Other irrevocable commitments		38,309	-	38,309	34,205	-	34,205	
2.2. Revocable commitments		-	-	-	-	-	-	
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-	
2.2.2. Other revocable commitments		-	-	-	-	-	-	
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>1,066,758</b>	<b>6,310,587</b>	<b>7,377,345</b>	<b>1,621,956</b>	<b>5,512,897</b>	<b>7,134,853</b>	
3.1 Derivative financial instruments held for risk management		-	1,107,747	1,107,747	-	-	-	
3.1.1 Fair value hedges		-	-	-	-	-	-	
3.1.2 Cash flow hedges		-	1,107,747	1,107,747	-	-	-	
3.1.3 Net foreign investment hedges		-	-	-	-	-	-	
3.2 Trading derivatives		1,066,758	5,202,840	6,269,598	1,621,956	5,512,897	7,134,853	
3.2.1 Forward foreign currency buy/sell transactions		1,066,758	4,591,505	5,658,263	1,621,956	5,136,960	6,758,916	
3.2.1.1 Forward foreign currency transactions-buy		151,747	2,821,037	2,972,784	793,861	2,566,164	3,360,025	
3.2.1.2 Forward foreign currency transactions-sell		915,011	1,770,468	2,685,479	828,095	2,570,796	3,398,891	
3.2.2 Other forward buy/sell transactions		-	611,335	611,335	-	375,937	375,937	
3.3 Other		-	-	-	-	-	-	
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>306,585,038</b>	<b>27,506,680</b>	<b>334,091,718</b>	<b>227,673,881</b>	<b>21,497,196</b>	<b>249,171,077</b>	
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>3,558,794</b>	<b>2,977,416</b>	<b>6,536,210</b>	<b>2,015,989</b>	<b>1,560,842</b>	<b>3,576,831</b>	
4.1 Customers' securities held		-	-	-	-	-	-	
4.2 Investment securities held in custody		990,661	-	990,661	28,604	2,085	30,689	
4.3 Checks received for collection		1,784,162	187,132	1,971,294	1,460,839	137,363	1,598,202	
4.4 Commercial notes received for collection		754,230	512,845	1,267,075	526,543	108,324	634,867	
4.5 Other assets received for collection		-	-	-	-	-	-	
4.6 Assets received through public offering		-	-	-	-	-	-	
4.7 Other items under custody		29,683	1,958,704	1,988,387	-	1,026,369	1,026,369	
4.8 Custodians		58	318,735	318,793	3	286,701	286,704	
<b>V. PLEDGED ITEMS</b>		<b>303,026,244</b>	<b>24,503,419</b>	<b>327,529,663</b>	<b>225,657,892</b>	<b>19,911,659</b>	<b>245,569,551</b>	
5.1 Securities		40,486	16,853	57,339	54,607	22,087	76,694	
5.2 Guarantee notes		89,390,997	2,997,928	92,388,925	57,500,671	1,688,884	59,189,555	
5.3 Commodities		2,662,778	463,181	3,125,959	1,976,516	404,229	2,380,745	
5.4 Warranties		-	-	-	-	-	-	
5.5 Real estates		61,158,977	144,004	61,302,981	46,924,906	100,480	47,025,386	
5.6 Other pledged items		149,725,641	20,739,420	170,465,061	119,157,958	17,541,242	136,699,200	
5.7 Pledged items-depository		47,365	142,033	189,398	43,234	154,737	197,971	
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>25,845</b>	<b>25,845</b>	<b>-</b>	<b>24,695</b>	<b>24,695</b>	
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>316,160,675</b>	<b>39,519,061</b>	<b>355,679,736</b>	<b>236,701,271</b>	<b>30,871,558</b>	<b>267,572,829</b>	

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

Türkiye Finans Katılım Bankası AŞ

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED INCOME STATEMENT			
INCOME AND EXPENSE ITEMS	Footnotes (5-IV)	THOUSAND TURKISH LIRA	
		Audited CURRENT PERIOD 1 January- 31 December 2014	Audited PRIOR PERIOD 1 January- 31 December 2013
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>2,172,475</b>	<b>1,566,233</b>
1.1 Profit share on loans		1,923,545	1,436,930
1.2 Profit share on reserve deposits		529	-
1.3 Profit share on banks		320	437
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		136,986	66,568
1.5.1 Financial assets held for trading		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available for sale		100,036	66,568
1.5.4 Investments held to maturity		36,950	-
1.6 Finance lease income		82,597	40,612
1.7 Other profit share income		28,498	21,686
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>1,072,132</b>	<b>692,151</b>
2.1 Expense on profit sharing accounts		753,582	542,840
2.2 Profit share expense on funds borrowed		151,533	110,450
2.3 Profit share expense on money market borrowings		55,199	12,118
2.4 Expense on securities issued		111,818	26,743
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME/EXPENSE (I - II)</b>		<b>1,100,343</b>	<b>874,082</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>148,597</b>	<b>128,272</b>
4.1 Fees and commissions received		233,092	177,712
4.1.1 Non-Cash loans		93,576	83,128
4.1.2 Other	(12)	139,516	94,584
4.2 Fees and commissions paid		84,495	49,440
4.2.1 Non-Cash loans		-	-
4.2.2 Other	(12)	84,495	49,440
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/EXPENSES (Net)</b>	(4)	<b>25,657</b>	<b>71,677</b>
6.1 Gains/Losses on securities trading		847	1,201
6.2 Derivative financial transactions gains/losses		(38,626)	37,110
6.3 Foreign exchange gains/losses		63,436	33,366
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>171,201</b>	<b>108,234</b>
<b>VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)</b>		<b>1,445,798</b>	<b>1,182,265</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(299,462)</b>	<b>(202,750)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(720,802)</b>	<b>(567,003)</b>
<b>XI. NET OPERATING INCOME/EXPENSE (VIII-IX-X)</b>		<b>425,534</b>	<b>412,512</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. NET MONETARY POSITION GAIN/LOSS</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)</b>	(8)	<b>425,534</b>	<b>412,512</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	(9)	<b>(91,107)</b>	<b>(83,235)</b>
16.1 Current tax provision		(111,885)	(80,719)
16.2 Deferred tax provision		20,778	(2,516)
<b>XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>	(10)	<b>334,427</b>	<b>329,277</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Expense on assets held for sale		-	-
19.2 Expense on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
19.3 Expense on other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>334,427</b>	<b>329,277</b>
23.1 Group's Profit/Loss		334,427	329,277
23.2 Non-controlling Interest (-)		-	-

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

Türkiye Finans Katılım Bankası AŞ

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

<b>TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
	<b>THOUSAND TURKISH LIRA</b>	
	<b>CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)</b>	<b>PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)</b>
<b>INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>60,206</b>	<b>(54,620)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>27,713</b>	<b>-</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>-</b>	<b>-</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>(5,463)</b>	<b>-</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(3,051)</b>	<b>(16,702)</b>
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(11,022)</b>	<b>14,264</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>68,383</b>	<b>(57,058)</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	<b>334,427</b>	<b>329,277</b>
1.1 Net changes in fair value of securities (transferred to income statement)	(5,741)	(133)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	340,168	329,410
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)</b>	<b>402,810</b>	<b>272,219</b>

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
		THOUSAND TURKISH LIRA	
		CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)	PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)
		Footnotes (5-VI)	
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1	Operating profit before changes in operating assets and liabilities		<b>328,960</b>
			<b>120,007</b>
1.1.1	Profit share income received		2,096,973
1.1.2	Profit share expense paid		(1,045,418)
1.1.3	Dividend received		-
1.1.4	Fees and commissions received		233,092
1.1.5	Other income		177,712
1.1.6	Collections from previously written off loans and other receivables		49,425
1.1.7	Cash payments to personnel and service suppliers		38,961
1.1.8	Taxes paid		138,167
1.1.9	Other	(1)	(541,666)
			(437,671)
			(86,908)
			(526,679)
1.2	Changes in Operating Assets and Liabilities		<b>(431,653)</b>
			<b>(714,915)</b>
1.2.1	Net (Increase) Decrease in financial assets held for trading		-
1.2.2	Net (Increase) Decrease in financial assets at fair value through profit or loss		-
1.2.3	Net (Increase) Decrease in due from banks and other financial institutions		156,828
1.2.4	Net (Increase) Decrease in loans		(1,205,195)
1.2.5	Net (Increase) Decrease in other assets		(5,261,777)
1.2.6	Net Increase (Decrease) in bank deposits		(6,106,062)
1.2.7	Net Increase (Decrease) in other deposits		(104,208)
1.2.8	Net Increase (Decrease) in funds borrowed		27,267
1.2.9	Net Increase (Decrease) in due payables		34,286
1.2.10	Net Increase (Decrease) in other liabilities		(11,225)
			3,927,360
			3,716,760
			1,548,738
			1,392,768
			-
		(1)	111,405
			626,486
I.	Net cash provided from banking operations		<b>(102,693)</b>
			<b>(594,908)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
II.	Net cash provided from investing activities		<b>(1,125,216)</b>
			<b>(796,433)</b>
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-
2.3	Purchases of tangible assets		(245,349)
2.4	Sales of tangible assets		(71,016)
2.5	Cash paid for purchase of financial assets available for sale		1,626
2.6	Cash obtained from sale of financial assets available for sale		279
2.7	Cash paid for purchase of investment securities		(805,205)
2.8	Cash obtained from sale of investment securities		(786,782)
2.9	Other		473,712
			61,086
			(550,000)
			-
			-
		(1)	-
			-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
III.	Net cash provided from financing activities		<b>2,112,822</b>
			<b>1,192,150</b>
3.1	Cash obtained from funds borrowed and securities issued		1,887,730
3.2	Cash used for repayment of funds borrowed and securities issued		1,067,150
3.3	Equity instruments issued		-
3.4	Dividends paid		-
3.5	Payments for financial leases		-
3.6	Others		225,000
			125,000
			-
			-
			-
			92
			-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	<b>202,141</b>
			<b>477,828</b>
V.	Net increase/(decrease) in cash and cash equivalents		<b>1,087,054</b>
			<b>278,637</b>
VI.	Cash and cash equivalents at beginning of period	(4)	<b>1,878,601</b>
			<b>1,599,964</b>
VII.	Cash and cash equivalents at end of period	(4)	<b>2,965,655</b>
			<b>1,878,601</b>

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

Türkiye Finans Katılım Bankası AŞ

# Consolidated Financial Report as of and For the Year Ended 31 December 2014

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

**TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	THOUSAND TURKISH LIRA							
	Footnotes	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves
<b>PRIOR PERIOD</b> Audited (01.01-31.12.2013)								
<b>I. Balances at beginning of the period</b>		1,650,000	-	-	-	58,083	-	36,990
<b>II. Correction made as per TAS 8</b>		-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-
<b>III. Adjusted balances at beginning of the period (I+II)</b>		1,650,000	-	-	-	58,083	-	36,990
<b>Changes during the period</b>		-	-	-	-	-	-	-
<b>IV. Mergers</b>		-	-	-	-	-	-	-
<b>V. Market value changes of securities</b>		-	-	-	-	-	-	-
<b>VI. Hedging reserves</b>		-	-	-	-	-	-	-
6.1 Cash flow hedge		-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-
<b>VII. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-	-
<b>VIII. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-	-
<b>IX. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-	-
<b>X. Translation differences</b>		-	-	-	-	-	-	-
<b>XI. Changes resulted from disposal of assets</b>		-	-	-	-	-	-	-
<b>XII. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-	-
<b>XIII. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-	-
<b>XIV. Capital increase</b>		125,000	-	-	-	-	-	-
14.1 Cash		125,000	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-
<b>XV. Share issuance</b>		-	-	-	-	-	-	-
<b>XVI. Share cancellation profits</b>		-	-	-	-	-	-	-
<b>XVII. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-	-
<b>XVIII. Others</b>		-	-	-	-	-	-	-
<b>XIX. Current period net profit/loss</b>		-	-	-	-	-	-	-
<b>XX. Profit distribution</b>		-	-	-	-	14,153	-	269,420
20.1 Dividends		-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	14,153	-	269,420
20.3 Others		-	-	-	-	-	-	-
<b>Balances at the end of the period (I+II+III+...+XVI+XVII+XVIII)</b>		1,775,000	-	-	-	72,236	-	306,410

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

THOUSAND TURKISH LIRA									
Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedge Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity	
-	283,573	-	6,901	89,615	-	-	-	2,125,162	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	283,573	-	6,901	89,615	-	-	-	2,125,162	
-	-	-	-	-	-	-	-	-	
-	-	-	(43,696)	-	-	-	-	(43,696)	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	125,000	
-	-	-	-	-	-	-	-	125,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
(13,362)	-	-	-	-	-	-	-	(13,362)	
-	329,277	-	-	-	-	-	-	329,277	
-	(283,573)	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	(283,573)	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
(13,362)	329,277	-	(36,795)	89,615	-	-	-	2,522,381	

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

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TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY									
THOUSAND TURKISH LIRA									
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes (5-V)	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	
<b>CURRENT PERIOD</b> Audited (01.01-31.12.2014)									
<b>I. Balances at beginning of the period</b>		<b>1,775,000</b>	-	-	-	<b>72,236</b>	-	<b>306,410</b>	
<b>Changes during the period</b>									
<b>II. Mergers</b>		-	-	-	-	-	-	-	
<b>III. Market value changes of securities</b>	(1),(2)	-	-	-	-	-	-	-	
<b>IV. Hedging reserves</b>		-	-	-	-	-	-	-	
4.1 Cash flow hedge		-	-	-	-	-	-	-	
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	
<b>V. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-	-	
<b>VI. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-	-	
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-	-	
<b>VIII. Translation differences</b>		-	-	-	-	-	-	-	
<b>IX. Changes resulted from disposal of assets</b>		-	-	-	-	-	-	-	
<b>X. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-	-	
<b>XI. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-	-	
<b>XII. Capital increase</b>		<b>825,000</b>	-	-	-	-	-	(600,000)	
12.1 Cash		225,000	-	-	-	-	-	-	
12.2 Internal sources		600,000	-	-	-	-	-	(600,000)	
<b>XIII. Share issuance</b>		-	-	-	-	-	-	-	
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-	-	
<b>XVI. Others</b>	(5)	-	-	-	-	-	-	-	
<b>XVII. Current period net profit/loss</b>		-	-	-	-	-	-	-	
<b>XVIII. Profit distribution</b>		-	-	-	-	<b>16,590</b>	-	<b>312,687</b>	
18.1 Dividends	(3)	-	-	-	-	-	-	-	
18.2 Transfers to reserves	(4)	-	-	-	-	16,590	-	312,687	
18.3 Others		-	-	-	-	-	-	-	
<b>Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)</b>		<b>2,600,000</b>	-	-	-	<b>88,826</b>	-	<b>19,097</b>	

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

THOUSAND TURKISH LIRA											
	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Shareholders' Equity
	(13,362)	329,277	-	(36,795)	89,615	-	-	-	2,522,381	-	2,522,381
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	48,165	26,327	-	-	-	74,492	-	74,492
	-	-	-	-	-	-	(3,668)	-	(3,668)	-	(3,668)
	-	-	-	-	-	-	(3,668)	-	(3,668)	-	(3,668)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	225,000	-	225,000
	-	-	-	-	-	-	-	-	225,000	-	225,000
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	(2,349)	-	-	-	-	-	-	-	(2,349)	-	(2,349)
	-	334,427	-	-	-	-	-	-	334,427	-	334,427
	-	(329,277)	-	-	-	-	-	-	-	-	-
	-	(329,277)	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	(15,711)	334,427	-	11,370	115,942	-	(3,668)	-	3,150,283	-	3,150,283

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



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		TÜRKİYE FİNANS KATILIM BANKASI A.Ş. PROFIT DISTRIBUTION TABLE	
		THOUSAND TURKISH LIRA	
		CURRENT PERIOD Audited (31/12/2014)	PRIOR PERIOD Audited (31/12/2013)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT PERIOD PROFIT <sup>(*)</sup></b>		
1.1	CURRENT PERIOD PROFIT	425,534	412,512
1.2	TAXES AND DUES PAYABLE (-)	(91,107)	(83,235)
1.2.1	Corporate Tax (Income Tax)	(111,885)	(80,719)
1.2.2	Income Tax Withholding	-	-
1.2.3	Other Taxes and Dues Payable <sup>(**)</sup>	20,778	(2,516)
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>334,427</b>	<b>329,277</b>
1.3	PRIOR YEAR'S LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(16,590)
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>312,687</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit and loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND 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 Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit/loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	312,687
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>		
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 Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit/loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF STOCKS	0,14	0,15
3.2	TO OWNERS OF STOCKS (%)	14	15
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(\*) Authorized unit is general assembly on current period profit distribution. Ordinary General assembly of the Participation Bank is not held as of the date of report.

(\*\*) Other tax and duties include deferred tax Gains/(Losses) amounts.

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

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## SECTION THREE

### ACCOUNTING POLICIES

#### I. Basis of Presentation

##### 1. Presentation of Financial Statements

The consolidated financial statements have been prepared in accordance with 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, which refers to “Turkish Accounting Standards” (“TAS”), put into effect by Public Oversight Accounting and Auditing Standards Authority (“KGK”), and “Turkish Financial Reporting Standards” (“TFRS”) issued by the “Turkish Accounting Standards Board” (“TASB”) and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS”) published by the Banking Regulation and Supervision Agency (“BRSA”). 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 Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004 except for the financial assets and liabilities which are carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS which have entered into force as of 1 January 2014 have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, which have been published as of reporting date but have not been effective yet, have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

##### 2. Restatement of Financial Statements upon the Current Purchasing Power Parity

The Participation Bank’s financial statements have been prepared in accordance with TAS 29 “Reporting in Hyperinflationary Economies” until 31 December 2004. By a Circular declared by BRSA at 28 April 2005 and decision declared by BRSA at 21 April 2005 Nr 1623, it was stated that the indicators of a need for inflation accounting have been ceased and inflation accounting would not be applied starting from 1 January 2005.

##### 3. Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The Parent Participation Bank receives profit share accounts on the basis of taking share from both profit and loss. These profit loss based accounts are generally evaluated as Corporate Financing Support, Individual Financing Support, Financial Leasing and Profit Loss Joint Project. Yields of these funds are fixed.

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Active credit risk management procedures are applied due to fixed yields of funds. The rating and scoring systems applied by the Participation Bank, includes detailed company analysis realized in annually or semi-annually and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system and if acceptable, loan limits are revised.

In order to maintain the ratio of liquid assets to total assets (except statutory reserves) around 15%-17% is adopted as liquidity principle by the Participation Bank. Equity profitability is maximized by evaluating this liquidity opportunity in short maturity transactions in international markets.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Central Bank of Turkey's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

Net foreign currency position is followed in legal limits and ensured that the ratio is within +/-20% level. Besides, different policies and strategies are settled according to macroeconomic situations about foreign currency position. However, the Parent Participation Bank always avoids taking positions that expose high level of currency risk.

### III. Explanations on Consolidated Subsidiaries

Türkiye Finans Katılım Bankası A.Ş. and its subsidiaries TF Varlık Kiralama A.Ş. and TFKB Varlık Kiralama A.Ş are consolidated by full consolidation method in the accompanying consolidated interim financial statements. The consolidated interim financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated 8 November 2006. The Parent Participation Bank and the consolidated subsidiary are referred to as together "the Group".

Basis of consolidation of the subsidiary:

A subsidiary is an entity that is controlled directly or indirectly by the Parent Participation Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Participation Bank's returns.

In full consolidation method, 100% of the assets, liabilities, income and expenses and off-balance sheet items of subsidiary are combined with the Parent Participation Bank's assets, liabilities and income, expense and off-balance sheet items. The carrying amount of the Group's investment in subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. All significant transactions and balances between the Parent Participation Bank and its consolidated subsidiary are eliminated reciprocally.

When there are differences between the accounting policies of the subsidiary with the Parent Participation Bank, the financial statements are adjusted in accordance with the principle of materiality.

TF Varlık Kiralama AŞ, which was established on 11 February 2013, has been fully consolidated in the consolidated financial statements of the Participation Bank from 30 June 2013.

TFKB Varlık Kiralama AŞ, which was established on 8 July 2014, has been fully consolidated in the consolidated financial statements of the Participation Bank from 31 December 2014.

### IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Group's derivative financial instruments consist of forward foreign currency buy/sell agreements. The Group has no derivative products that are detached from the host contract.

Derivatives are initially recorded in off-balance sheet accounts at their contract values.

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Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively. Subsequent fair value changes for trading derivatives are recorded under income statement.

The Participation Bank hedges its cash flow risk arising from foreign currency liabilities by using cross currency swap. The effective portion of the fair value changes of the hedging instruments are recorded in “Hedging funds” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, discontinuing or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

## V. Explanations on Profit Share Income and Expenses

Profit share income and expenses are recognized in the income statement on an accrual basis.

Realized and unrealized profit share accruals of the non-performing loans are reversed and profit share income in connection with these loans is recorded as profit share income only when they are collected.

## VI. Explanations and Disclosures on Fees and Commission Income and Expenses

Banking service revenues are recognized as income only when they are collected while only the current portion of the prepaid commission income obtained from corporate loans is recorded as income on an accrual basis.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses and calculated based on internal rate of return method.

## VII. Explanations and Disclosures on Financial Assets

Financial instruments comprise of financial assets, financial liabilities and derivative instruments. Basically, financial assets form majority of the commercial activities and operations of the Group. Risks due to these instruments are substantial portion of the total risk taken by the Group. Financial instruments expose, change or reduce the liquidity, credit and market risks of the Group's financial statements. Buying/selling of these financial instruments is carried out in the name of customers and on behalf and account of the Group.

Basically, financial instruments generate commercial operations of the Group. These instruments reveal, affect and decrease liquidity and credit risk on financial statements.

Buying/selling of financial instruments is recognized on settlement date basis. It is the date which an asset is delivered to the Group or by the Group. Settlement date accounting requires (a) recognizing of the asset in purchase date, and (b) to exclude the asset from balance sheet as of delivery date and recognizing profit or loss due to disposal of the assets as of the same date. Changes in fair value of the assets between trading date and settlement date are recognized for the financial assets at fair value through profit&loss and financial assets available for sale.

Ordinary purchase and sale generally supposed to purchase or sale of an asset based on a contract that requires the delivery of the asset in legal procedures and market precedents. Changes in fair value of the asset acquired between trading date and settlement date are recognized as the same in assets purchased. Changes in fair value of the asset are not recognized if it is recorded with its purchase or amortized cost. Gain or loss due to a financial asset at fair value is recorded in profit or loss, gain or loss due to an asset available for sale is recorded in equity.

Methods and assumptions used to determine reasonable value of every financial instrument are specified below.

### Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise of cash on hand, demand deposits, and highly liquid short-term investments not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these financial assets approximate to their fair value.

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**Marketable securities at fair value through profit or loss** are classified in two categories; i) marketable securities classified as trading securities: acquired or incurred principally for the purpose of selling or repurchasing it in the near term in order to benefit from short-term profit opportunities; ii) marketable securities classified as marketable securities at fair value through profit or loss at initial recognition. The Group uses the above-mentioned classification when permitted, or for the purposes of providing a more appropriate presentation.

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair value of debt securities traded in an active market is determined based on the quoted prices or current market prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to profit share income or diminution in value of marketable securities accounts. Profit share income from financial assets at fair value through profit and loss is reflected in profit share income.

**Investments held to maturity** include securities with fixed or determinable payments and fixed maturity when there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. Subsequent to initial recognition, held to maturity investments are measured at amortized cost by using the internal rate of return method less impairment losses, if any. The Group has no financial assets acquired and classified as held to maturity investments that cannot be subject to such classification for two years because of the non-performance of tainting rules.

The profit share income received from held to maturity investments is recorded as profit share income in the income statement.

**Marketable securities classified as available for sale** are initially recognized at cost including the transaction costs. After initial recognition, available for sale securities are measured at fair value and unrealized gains/losses originating from the difference between the amortized cost and the fair value are recorded in "Securities Value Increase Fund" under equity. At the disposal of available for sale financial assets, value increase/decrease recorded in "Securities Value Increase Fund" under equity is transferred to the income statement.

### Loans

Loans and receivables are recognized at purchase cost and valued at amortized cost. Fees, transaction costs and other similar costs in connection with the guarantees of loans are considered as part of the transaction cost.

Individual and corporate loans followed in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects based on loans' contents.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date; they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

### VIII. Explanations on Impairment on 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 objective evidence that those assets have suffered an impairment loss.

If any such indication exists, the Group determines the related impairment. A financial asset or a group of financial assets are impaired and have impairment loss if, and only if, there is an objective indicator of a single or multiple event ("event of loss") occurring after the initial recognition of the related asset and that the expected future cash flows of financial asset or group of financial assets are adversely affected by that event (or events). The losses expected to incur due to future events are not accounted regardless of high probability.

Loans considered as non-performing are classified in accordance with the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision", published on the Official Gazette nr.26333 dated 1 November 2006.

The provisions released in the same year are accounted by crediting the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Collections from Prior Years Expense account.

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

## **IX. Explanations on Offsetting of Financial Assets**

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Participation Bank provides specific allowances for loan and other receivables in accordance with the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The allowances are recorded under “loans” as negative balances on the asset side.

Other financial assets and liabilities than explained above are offset when the Group has a legally enforceable right to set off, and when the Participation Bank has the intension of collecting or paying the net amount of related assets and liabilities or when the Participation Bank has the right to offset the assets and liabilities simultaneously.

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

The Group does not have any repurchase agreements or lending of securities.

## **XI. Explanations on Assets Held For Sale and Discontinued Operations and Debts due to These Assets**

The principles on accounting, assessment and disposal of assets held for sale of the Group are determined based on the Communiqué of “Principles and Procedures on Bank’s Disposal of Precious Metals and Assets Held for Sale” published on 1 November 2006 in the Official Gazette numbered 26333.

If assets acquired due to receivables of the Group are under a plan, they are followed in assets held for sale account.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for the said assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or the group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Participation Bank’s control and that the Participation Bank’s plans for selling the related asset (or the group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a part of a bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. There is not a discontinued operation of the Group in the current period.

## **XII. Explanations and Disclosures on Goodwill and Other Intangible Assets**

As of the balance sheet date, The Group does not have any goodwill in its accompanying consolidated interim financial statements.

Intangible assets purchased before 1 January 2005, are presented with their inflation adjusted historical acquisition cost as of 31 December 2004 and intangible assets purchased in the subsequent periods, are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life.

The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software.

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### XIII. Explanations and Disclosures on Tangible Assets

Tangible assets are accounted for at acquisition cost plus any other direct costs incurred to bring the asset for ready to use. Tangible assets are remeasured at their acquisition cost less accumulated depreciation and impairment loss, if any. The Parent Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to (TAS 16) Standard for Tangible Assets. Expert values determined in December 2014 by an independent expert company are reflected to the consolidated financial statements. Such revaluation increase is realized net TL 115,942 after deferred tax as of balance sheet date (31 December 2013: TL 89,615).

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset are recognized in the income statement by taking into account the difference between the net book value and the net proceeds.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The estimated useful lives of the tangible assets used by the Group are as follows:

Tangible Assets	Estimated Useful Lives
Safety Boxes	5-50 years
Office equipment	3-10 years
Leasehold Improvements	2-10 years
Other Movables	3-15 years
Furniture and Fixtures	3-10 years
Vehicles	5 years
Real Estates	50 years

### XIV. Explanations and Disclosures on Leasing Transactions

The Group as a Lessor;

The Group acts as a Lessor in leasing transactions. Assets subject to leasing are accounted in the Group's financials as receivables that equal to net leasing investment amount. Total of rental payments including profit shares and principals are recorded under "finance lease receivables" as gross. The difference, i.e. the profit share, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "finance lease receivables"; and the profit share is recorded as finance lease income in the income statement.

The Group as a Lessee;

Assets held under finance leases are recognized as assets of the Participation Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. While the corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, profit share amounts are accounted as deferred profit share amounts. Leased assets are followed in tangible assets account and subjected to the same accounting policy.

### XV. Explanations on Provisions and Contingent Liabilities

Apart from specific and general provisions set for funds given and other receivables, other provisions and contingent liabilities are set based on TAS 37 standard.

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Specific and general provision expenses related with profit share accounts which are set by the Group are met from profit share accounts.

There are 2,037 ongoing suits filed against to the Group as of balance sheet date. Total amount of these suits are TL 174,272 (31 December 2013: 910 suits, TL 168,231). The Group set TL 11,565 provision for ongoing suits filed against to the Participation Bank for which cash outflow is probable and measurable (31 December 2013: TL 7,664).

## **XVI. Explanations on Liabilities Regarding Employee Benefits**

Under the existing Labor Law, the Company is required to pay termination benefits to each employee who earned the right to receive termination indemnities with the end of their employment contract. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated 6 March 1981, No. 2422 and 25 August 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain/loss related to employee benefits shall be recognized in other comprehensive income.

Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The average discount rate is 6% and share rate is 8.80% at the respective balance sheet date (31 December 2013: 6.20% and 9.50%)

## **XVII. Explanations on Taxation**

Tax expense is the total amount of current tax expense and deferred tax expense.

Taxable profit is different from the profit on the income statement, due to the fact that it excludes the income and expense items, which can be taxed or deducted in the following periods and the items, which cannot be taxed or deducted, permanently. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability or asset is determined by calculating tax effects of temporary differences between the base amounts of the financial statement and legally enacted tax base amounts of liabilities and assets by using balance sheet method and considering legal tax rates. Deferred tax liabilities are calculated for all the temporary taxable differences, while the deferred tax assets composed of temporary deductible differences, are calculated in case it is highly probable to use these differences in the future to gain taxable profit. Deferred tax liability is not calculated for temporary timing differences, which are arising from the initial entering of assets or liabilities, except for goodwill and mergers, and which do not affect either the commercial or financial profit or loss.

The book value of deferred tax liability is reviewed at each balance sheet date. The book value of the deferred tax is reduced as probability of gaining enough taxable profit decreases.

Deferred tax is calculated at enacted tax rates valid in the period when the assets are formed or liabilities are fulfilled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the group of equity accounts.

A portion of provision directly associated with the equity is offset with related accounts in equity. Therefore, TL 3,200 deferred tax provision (31 December 2013: TL 7,823) directly associated with the equity is offset with "Revaluation Surplus on Tangible Assets", "Securities Value Increase Fund" and "Other Capital Reserves" accounts in equity as of 31 December 2014.

Current tax liability is offset with prepaid tax amounts due to its association. Deferred tax asset and liability is also offset.



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### **XVIII. Additional Explanations on Borrowings**

Borrowings are recognized in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings except derivatives financial liabilities held for trading are recorded at their purchase costs and discounted by using the internal rate of return. Derivatives financial liabilities held for trading are recorded at their fair value amounts as explained in the accounting policy numbered IV.

Funds obtained via the debt certificates issued by the asset leasing company has been presented under funds borrowed.

### **XIX. Explanations on Share Certificates**

As per decision has taken by the Extraordinary General Assembly on 29 August 2014, the Bank's share capital will increase by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 will be transferred from general reserve and the remaining part amounting to TL 225,000 will be paid in cash. Cash commitment amounting to TL 100,000 has recorded into capital accounts with the approval of the Banking Regulation and Supervision Agency on 24 October 2014, remaining TL 125,000 has recorded into capital accounts with the approval of the Banking Regulation and Supervision Agency on 19 November 2014. Participation Bank's paid-in capital consists of 2,600,000 shares of TL 1 nominal each.

### **XX. Explanations and Disclosures on Acceptances**

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

### **XXI. Explanations and Disclosures on Government Incentives**

There are no government incentives used by the Group as of balance sheet date.

### **XXII. Explanations and Disclosures on Segment Reporting**

The Group operates in individual banking, specific customer current accounts, profit sharing accounts, credit and ATM cards, consumer loans, long term housing and car loans and other individual bank services.

The Group operates in automatic transfer services, internet banking services, current accounts, profit share accounts, cash/non cash loans, financial leasing, foreign trade transactions, insurance transactions and corporate banking services.

There are not any economic, financial and political factors that affect segmenting of activities and investments. Due to fluctuations in economic situation, investments are affected from instability and available resources are evaluated as liquid.

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Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	409,449	1,044,797	(8,448)	-	1,445,798
Net profit of segment <sup>(*)</sup>	33,054	395,995	(3,515)	-	425,534
Profit Before Tax	33,054	395,995	(3,515)	-	425,534
Tax Provision	-	-	-	91,107	91,107
Profit after tax	33,054	395,995	(3,515)	(91,107)	334,427
Net period profit	33,054	395,995	(3,515)	(91,107)	334,427
Assets of segment	4,070,766	20,491,888	7,336,549	1,590,707	33,489,910
Total Assets	4,070,766	20,491,888	7,336,549	1,590,707	33,489,910
Liabilities of segment	9,112,579	11,241,476	9,225,500	760,072	30,339,627
Equity	-	-	-	3,150,283	3,150,283
Total liabilities and equity	9,112,579	11,241,476	9,225,500	3,910,355	33,489,910
Other segment items	-	-	-	54,949	54,949
Depreciation <sup>(**)</sup>	-	-	-	54,138	54,138
Impairment	-	-	-	811	811

(\*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

(\*\*) Depreciation amount of TL 54,138 comprise of TL 32,379 of tangible assets' depreciation, TL 20,819 of intangible assets' depreciation and TL 940 of depreciation for assets held for resale.

Prior Period <sup>(*)</sup>	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	348,093	624,877	209,295	-	1,182,265
Net profit of segment <sup>(**)</sup>	134,736	250,506	27,270	-	412,512
Profit Before Tax	134,736	250,506	27,270	-	412,512
Tax Provision	-	-	-	83,235	83,235
Profit after tax	134,736	250,506	27,270	(83,235)	329,277
Net period profit	134,736	250,506	27,270	(83,235)	329,277
Assets of segment	3,244,040	15,803,412	5,296,392	782,735	25,126,579
Total Assets	3,244,040	15,803,412	5,296,392	782,735	25,126,579
Liabilities of segment	7,762,755	8,848,380	5,465,287	527,776	22,604,198
Equity	-	-	-	2,522,381	2,522,381
Total liabilities and equity	7,762,755	8,848,380	5,465,287	3,050,157	25,126,579
Other segment items	-	-	-	38,610	38,610
Depreciation <sup>(***)</sup>	-	-	-	38,184	38,184
Impairment	-	-	-	426	426

(\*) Participation Bank changed the segment definition of clients on January 2014. As a result of this change, some of the clients' status was moved from retail banking to corporate banking. This adjustment caused report in compliance with segments on 31 December 2013 change.

(\*\*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

(\*\*\*) Depreciation amount of TL 38,184 comprise of TL 25,659 of tangible assets' depreciation, TL 11,738 of intangible assets' amortization and TL 787 of depreciation for fixed assets to be sold.

## XXIII. Explanations on Other Matters

There are no explanations exist other than the accounting policies stated above.

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## SECTION FOUR

### INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

#### I. Explanations and Disclosures Related to the Consolidated Capital Adequacy Standard Ratio

The Participation Bank's Common Equity Tier I capital ratio is 12.24%, Tier I capital ratio is 11.98%, capital adequacy standard ratio is 12.47%. Capital adequacy ratios are calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28 June 2012, effectiveness date is 1 July 2012, and the calculations are made according to the "Regulation on Equities of Banks" published in the Official Gazette numbered 28756 dated 5 September 2013.

#### Risk Measurement Methods in Calculation of Capital Adequacy Ratio

Capital adequacy ratio is calculated within the scope of the "Communiqué on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28.06.2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5.09.2013.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortization or impairment, are taken into account on a net basis after being reduced by the related amortizations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

The amount subject to credit risk is calculated and reported with Simple Approach, the amount subject to market risk is calculated and reported with the Standard Method and the amount subject to operational risk is calculated and reported with Basic Indicator Method, described in the Communiqué on "Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation") published in the Official Gazette No: 28337 dated 28 June 2012.

In the calculation of counterparty credit risk arising from derivative instruments and marketable securities, "the valuation method according to the fair value" is used in accordance with the Regulation.

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## Information on the Unconsolidated Capital Adequacy Standard Ratio

	Risk Weightness								
	Participation Bank								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
The Amount Subject to Credit Risk	6,972,493	-	754,246	10,389,889	6,435,630	12,445,393	239,224	250,919	2,695
Risk Types	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Sovereigns	5,618,446	-	132,016	2,150,253	-	-	-	-	--
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3	-	28	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	1,863	-	388	457	-	71,141	-	-	--
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	488,826	-	324,237	457,683	-	943	-	-	--
Contingent and Non-Contingent Claims on Corporate Receivables	394,075	-	207,216	-	-	11,259,486	-	-	--
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	253,118	-	90,178	-	6,435,630	104,120	-	-	--
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	-	7,706,247	-	-	-	-	--
Past Due Loans	-	-	-	15,359	-	86,913	-	-	--
Higher-Risk Categories Defined by Agency	-	-	-	57,343	-	18,386	239,224	250,919	2,695
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-	--
Securitization Exposures	-	-	-	-	-	-	-	-	--
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-	-	--
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-	-	-	-	--
Other Claims	216,162	-	183	2,547	-	904,404	-	-	--

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### Information on the Consolidated Capital Adequacy Standard Ratio

	Risk Weightness								
	Consolidated								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
The Amount Subject to Credit Risk	6,972,493	-	754,246	10,389,889	6,435,630	12,440,513	239,224	250,919	2,695
Risk Types	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Sovereigns	5,618,446	-	132,016	2,150,253	-	-	-	-	--
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3	-	28	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	1,863	-	388	457	-	71,141	-	-	--
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-	-	--
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	488,826	-	324,237	457,683	-	943	-	-	--
Contingent and Non-Contingent Claims on Corporate Receivables	394,075	-	207,216	-	-	11,258,431	-	-	--
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	253,118	-	90,178	-	6,435,630	104,120	-	-	--
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	-	7,706,247	-	-	-	-	--
Past Due Loans	-	-	-	15,359	-	86,913	-	-	--
Higher-Risk Categories Defined by Agency	-	-	-	57,343	-	18,386	239,224	250,919	2,695
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-	--
Securitization Exposures	-	-	-	-	-	-	-	-	--
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-	-	--
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	-	-	-	-	--
Other Claims	216,162	-	183	2,547	-	900,579	-	-	--

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## Summary of the Unconsolidated and Consolidated Capital Adequacy Standard Ratio

Current period equity calculation is made within the framework of "Regulation Regarding Bank's Equity" published in official Gazette numbered 28756 dated 5 September 2013 and became effective at 1 January 2014.

	<b>Participation Bank</b>	<b>Consolidated</b>
	<b>Current Period</b>	<b>Current Period</b>
Required Capital Liabilities for Credit Risk (Main Amount related with Credit Risk*0.08) (RCLCR)	1,878,826	1,878,435
Required Capital Liabilities for Market Risk (RCLMR)	9,568	9,568
Required Capital Liabilities for Operational Risk (RCLOR)	142,326	142,326
Shareholders' Equity	3,164,601	3,165,207
Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12.5)*100	12.47	12.47
Core Capital/((RCLCR+RCLMR+RCLOR) *12.5*100)	11.98	11.98
Tier I Capital/((RCLCR+RCLMR+RCLOR) *12.5*100)	12.25	12.24
	<b>Participation Bank</b>	<b>Consolidated</b>
	<b>Prior Period</b>	<b>Prior Period</b>
Required Capital Liabilities for Credit Risk (Main Amount related with Credit Risk*0.08) (RCLCR)	1,431,919	1,431,915
Required Capital Liabilities for Market Risk (RCLMR)	9,194	9,194
Required Capital Liabilities for Operational Risk (RCLOR)	118,776	118,776
Shareholders' Equity	2,498,204	2,498,204
Shareholders' Equity/((RCLCR+RCLMR+RCLOR) *12.5)*100	12.81	12.81

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### Information about the shareholders' consolidated equity items

	<b>Current Period</b>
<b>TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	2,600,000
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	108,015
Other Comprehensive Income according to TAS	127,312
Profit	334,427
Net Current Period Profit	334,427
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Minority Shareholder	-
<b>Tier I Capital Before Deductions</b>	<b>3,169,754</b>
<b>Deductions From Tier I Capital</b>	
	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	15,803
Leasehold Improvements on Operational Leases (-)	31,521
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	9,833
Net Deferred tax assets/liabilities (-)	6,491
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I 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 above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
<b>Total regulatory adjustments to Tier 1 capital</b>	<b>63,648</b>
<b>Tier 1 capital</b>	<b>3,106,106</b>

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<b>ADDITIONAL CORE CAPITAL</b>	<b>Current Period</b>
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Shares of Third Parties on Additional Core Capital	-
<b>Additional Core Capital before Deductions</b>	-
<b>Deductions from Additional Core Capital</b>	-
Direct and Indirect Investments of the Bank on its own Additional Core 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 above 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 to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	39,332
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	25,965
<b>Total Core Capital</b>	<b>3,040,809</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	127,008
Shares of Third Parties on Tier II Capital	-
<b>Tier II Capital before Deductions</b>	<b>127,008</b>
<b>Deductions from Tier II Capital</b>	-
Direct and Indirect Investments of the Bank on its own Tier II 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 above 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 to be Defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>127,008</b>



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<b>CAPITAL</b>	<b>Current Period</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	2,583
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	27
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>3,165,207</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	-
Remaining 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	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

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	Prior period
<b>CORE CAPITAL</b>	
Paid-in capital	1,775,000
Nominal capital	1,775,000
Capital commitments (-)	-
Adjustment to paid-in capital	-
Share Premiums	-
Share Cancellation Profits	-
Transfers from reserves <sup>(*)</sup>	365,284
Reserves from Inflation Adjustments	-
Profit	329,277
Net current period profit	329,277
Prior period profit	-
Provisions for possible losses up to 25% of core capital	-
Profit on sale of associates, subsidiaries and buildings	-
Primary subordinated loans	-
Minority Shareholders	-
Loss that is not covered with reserves (-)	-
Net current period loss	-
Prior period loss	-
Leasehold improvements (-)	29,884
Intangible assets (-)	37,149
Deferred-assets for tax which exceeds 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-
Consolidated Goodwill (Net) (-)	-
<b>Total Core Capital</b>	<b>2,402,528</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General reserves	93,950
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	40,327
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	-
45% of marketable securities and investment securities value increase fund	(36,795)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal, status and extraordinary reserves)	-
Minority Shareholders	-
<b>Total Supplementary Capital</b>	<b>97,482</b>
<b>CAPITAL</b>	<b>2,500,010</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>1,806</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
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	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	1,767
Securitization positions deducted from preferred equity	-
Other	39
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,498,204</b>

(\*) Actuarial losses amount to TL 13,362 are represented under other capital reserves which are accounted under other reserves.

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## The Approaches for Internal Capital Adequacy Assessment Process about Current and Future Activities

The internal capital adequacy assessment process is carried out by taking into account characteristics of operations, scale, risk profile, complexity, capital structure and 3 years strategic plans of the Participation Bank within the framework of “The Regulation on the Internal System of Banks”, “Guidance on the Internal Capital Adequacy Assessment Process (ICAAP) Report”, and related legislations. According to Internal Capital Adequacy Assessment Process, identification, measurement, management and monitoring processes of all significant risks that the Participation Bank has been exposed in the existing case and may be exposed in the future depending on the strategic plans, have been specified. For this reason, not only the credit, market and operational risks but also profit share rate risk caused by accounting system of banks, liquidity risk, concentration risk, data risk, residual risk, reputational risk, business risk, strategic risk, compliance risk, country risk and transfer risk which directly affect the capital adequacy ratio are included in this assessment process. By ICAAP the Bank aims to establish an appropriate risk management process and develop this process continually for new identified risks. In this context, the participation bank’s current and future capital requirements are analyzed together with the bank’s strategic objectives. Participation Bank aims to manage its current and future liquidity position with taking into account the assets and liabilities currency types and terms in a prudent and proactive manner. With stress tests and scenario analysis the bank’s potential losses that may be incurred, the methods of estimating the level of capital adequacy to afford these losses and as a result of assessments actions needed to maintain adequate capital levels are determined. Also according to Internal Capital Adequacy Assessment Process the bank’s operations, strategic plan, capital and liquidity planning, stress tests and result of Internal Capital Adequacy Assessment Process, taking into consideration the risk appetite of the structure are determined. Thus, as a result of the present situation, risk appetite structure, strategic planning and stress tests evaluation, future capital requirements are intended to be analyzed together with the strategic objectives. Additionally, management and monitoring of the bank operations and including of the senior management into these processes are forcing by defining risk appetite for important risks in the general of the bank. Internal Capital Adequacy Assessment Process is taken on as a developing process and the areas of a scheme of development are determining and the operation plans are forming.

## II. Explanations and Disclosures Related to Credit Risk

Credit risk is the risk of a counter party with whom the Group has a commercial relation. This risk represents the losses of the Group when its counter party can not conform to a signed contract by disregarding the related obligations partially or totally in specified periods.

Credit worthiness of loan customers are monitored and reviewed by the Credit Allocation Department of the Participation Bank semiannually or annually in accordance with the Communiqué on “Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions”. The account statements are obtained based on the prevailing regulations. Credit limits are determined by the Board of Directors, the Credit Committee of the Participation Bank and the Credit Administration. The Participation Bank obtains guarantees for its loans and other receivables. Guarantees received comprised of real and legal person sureties with a high credibility, bonds issued with guarantees of Treasury, Privatization Administration and Housing Development Administration of Turkey, securities issued with the guarantees of central governments and central banks of OECD countries, European Central Bank and securities issued with this Bank’s guarantee, gold and other precious metals, investment equity shares listed on the stock exchange, asset based securities, private sector bonds, letters of guarantee and other guarantees by the banks, guarantees of banks operating in OECD countries, the guarantees of central governments and central banks of OECD countries, transfer or pledge of claims arise from public institutions, customer check, vehicle pledges, export documents, pledge of assets, hypothecs such as ship, aircraft and real estate and cash blockages.

In case of any significant credit risk exposure, the Participation Bank do not use forward, option or similar kind of contracts to reduce these risks by exercising their rights, fulfilling their obligations or selling them.

Indemnified non-cash loans are subject to the same risk weight with the unpaid cash loans although their maturity was due.

The risk of the Group from its top 100 and top 200 cash loan customers share in total cash loans ratios are 14.03% and 19.95% (31 December 2013: 13.88% and 20.34%).

The risk of the Group from its top 100 and top 200 non-cash loan customers share in total non-cash loan ratios are 27.23% and 37.11% (31 December 2013: 29.14% and 39.85%).

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The cash receivables of the Group from its top 100 and top 200 loan customers shares in total balance sheet assets are 10.12% and 14.40% (31 December 2013: 10.04% and 14.71%).

The non-cash receivables of the Group from its top 100 and top 200 loan customers shares in total non-cash loan ratios are 0.82% and 1.11% (31 December 2013: 0.97% and 1.33%).

The Group's general provision amount for its credit risk is TL 199,612 (31 December 2013: TL 150,439).

<b>Risk Classifications</b>	<b>Current Period Risk Amount <sup>(*)</sup></b>	<b>Average Risk Amount</b>
Contingent and Non-Contingent Claims on Sovereigns	7,768,699	7,349,804
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	31	31
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	73,881	40,262
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1,263,347	643,908
Contingent and Non-Contingent Claims on Corporate Receivables	11,880,846	10,761,467
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	6,990,324	5,691,731
Contingent and Non-Contingent Claims Secured by Residential Property	7,706,247	6,539,684
Past Due Loans	102,415	83,138
Higher-Risk Categories Defined by Agency	579,986	391,068
Collateralized Mortgage Marketable Securities	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	-	-
Other Claims	1,119,833	988,551

<sup>(\*)</sup> Includes to risk amounts before credit risk mitigation but after credit conversions.

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### Risk Profile According to the Geographical Concentration

Risk Classifications*					
		Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary
<b>Current Period</b>					
1	Domestic	7,768,699	31	73,881	483,554
2	EU countries	-	-	-	665,157
3	OECD countries **	-	-	-	3,607
4	Off-shore banking regions	-	-	-	-
5	USA, Canada	-	-	-	51,269
6	Other countries	-	-	-	59,760
7	Investment and associates, subsidiaries and joint ventures	-	-	-	-
8	Undistributed Assets/Liabilities***	-	-	-	-
9	<b>Total</b>	<b>7,768,699</b>	<b>31</b>	<b>73,881</b>	<b>1,263,347</b>
<b>Prior Period</b>					
1	Domestic	5,678,069	29	20,631	864,489
2	EU countries	-	-	-	34,951
3	OECD countries **	-	-	-	6,543
4	Off-shore banking regions	-	-	-	-
5	USA, Canada	-	-	-	46,473
6	Other countries	-	-	-	40,093
7	Investment and associates, subsidiaries and joint ventures	-	-	-	-
8	Undistributed Assets/Liabilities***	-	-	-	-
9	<b>Total</b>	<b>5,678,069</b>	<b>29</b>	<b>20,631</b>	<b>992,549</b>

\* Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

\*\* OECD Countries other than EU countries, USA and Canada.

\*\*\* Includes assets and liabilities items that can not be allocated on a consistent basis.

**Risk Classifications\***

	Contingent and Non-Contingent Claims on Corporate Receivables	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Other Claims	Total
	11,663,631	6,978,271	7,683,501	102,415	546,200	1,119,776	36,419,959
	126,186	4,404	10,685	-	76	54	806,562
	807	2	549	-	-	-	4,965
	3,000	41	1,712	-	-	1	4,754
	442	137	188	-	1	1	52,038
	86,779	7,469	9,612	-	33,709	1	197,330
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>11,880,845</b>	<b>6,990,324</b>	<b>7,706,247</b>	<b>102,415</b>	<b>579,986</b>	<b>1,119,833</b>	<b>37,485,608</b>
	10,099,830	4,579,143	5,470,902	67,759	318,082	743,565	27,842,499
	24,716	5,268	2,363	-	307	1	67,606
	781	85	419	-	-	-	7,828
	4,827	-	-	-	-	-	4,827
	8	182	473	-	-	-	47,136
	79,350	4,276	3,249	-	15,630	1	142,599
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>10,209,512</b>	<b>4,588,954</b>	<b>5,477,406</b>	<b>67,759</b>	<b>334,019</b>	<b>743,567</b>	<b>28,112,495</b>

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## Risk profile by sectors or counterparties

	Sectors/Counterparties	Risk Classifications <sup>(1)</sup>					
		1	2	3	4	5	6
1	<b>Agriculture</b>	-	-	-	-	262,921	83,796
1.1	Farming and Stockbreeding	-	-	-	-	262,921	83,796
1.2	Forestry	-	-	-	-	-	-
1.3	Fishery	-	-	-	-	-	-
2	<b>Manufacturing</b>	-	6	61,330	-	4,535,183	1,519,586
2.1	Mining	-	6	58,840	-	306,444	46,325
2.2	Production	-	-	80	-	3,691,893	1,458,824
2.3	Electricity, Gas, Water	-	-	2,410	-	536,846	14,437
3	<b>Construction</b>	-	-	-	-	2,033,529	866,421
4	<b>Services</b>	7,768,699	8	9,380	1,263,347	4,548,067	2,897,884
4.1	Wholesale and Retail Trade	-	-	3	-	2,743,395	2,307,144
4.2	Hotel, Food and Beverage Services	-	-	-	-	256,166	43,264
4.3	Transportation and Telecommunication	-	-	-	-	581,099	178,180
4.4	Financial Institutions	7,768,699	-	-	1,263,347	49,500	6,756
4.5	Real Estate and Renting Services	-	8	36	-	735,740	290,198
4.6	"Self-Employment" Type Services	-	-	-	-	-	-
4.7	Educational Services	-	-	9,327	-	72,569	13,221
4.8	Health and Social Services	-	-	14	-	109,598	59,121
5	<b>Other</b>	-	17	3,171	-	501,145	1,622,637
6	<b>Total</b>	7,768,699	31	73,881	1,263,347	11,880,845	6,990,324

1-Contingent and Non-Contingent Claims on Sovereigns

2-Contingent and Non-Contingent Claims on Regional Governments and Local Authorities

3-Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises

4-Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary

5-Contingent and Non-Contingent Claims on Corporate Receivables

6-Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios

7-Contingent and Non-Contingent Claims Secured by Residential Property

8-Past Due Loans

9-Higher-Risk Categories Defined by Agency

10-Other Claims

<sup>(1)</sup> Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

	Risk Classifications <sup>(c)</sup>						
	7	8	9	10	TC	FC	Total
	<b>76,143</b>	<b>2,428</b>	<b>455</b>	<b>515</b>	<b>386,282</b>	<b>39,976</b>	<b>426,258</b>
	76,143	2,428	455	515	386,282	39,976	426,258
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<b>1,051,946</b>	<b>22,763</b>	<b>39,532</b>	<b>1,935</b>	<b>5,256,217</b>	<b>1,976,064</b>	<b>7,232,281</b>
	32,236	742	1,602	64	408,395	37,864	446,259
	970,331	20,155	37,920	1,766	4,469,577	1,711,392	6,180,969
	49,379	1,866	10	105	378,245	226,808	605,053
	<b>1,583,504</b>	<b>18,856</b>	<b>12,752</b>	<b>1,716</b>	<b>3,897,792</b>	<b>618,986</b>	<b>4,516,778</b>
	<b>2,292,921</b>	<b>36,457</b>	<b>56,836</b>	<b>1,057,687</b>	<b>12,648,852</b>	<b>7,282,434</b>	<b>19,931,286</b>
	1,498,122	28,931	38,081	3,131	5,919,999	698,808	6,618,807
	164,026	609	336	206	294,649	169,958	464,607
	146,912	1,536	2,321	263	669,937	240,374	910,311
	5,810	27	14,124	1,053,834	4,211,333	5,950,764	10,162,097
	339,568	5,224	1,786	203	1,157,207	215,556	1,372,763
	-	-	-	-	-	-	-
	78,779	4	76	10	173,932	54	173,986
	59,704	126	112	40	221,795	6,920	228,715
	<b>2,701,733</b>	<b>21,911</b>	<b>470,411</b>	<b>57,980</b>	<b>5,108,397</b>	<b>270,608</b>	<b>5,379,005</b>
	<b>7,706,247</b>	<b>102,415</b>	<b>579,986</b>	<b>1,119,833</b>	<b>27,297,540</b>	<b>10,188,068</b>	<b>37,485,608</b>



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### Analysis of maturity-bearing exposures according to remaining maturities

Risk Classifications*	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
1 Contingent and Non-Contingent Claims on Sovereigns	3,259,117	378,389	-	305,851	1,645,567
2 Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	8
3 Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	32,312	-	29,364	629	11,105
4 Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2,394	4	128	138,292	549,594
5 Contingent and Non-Contingent Claims on Corporate Receivables	779,836	1,367,284	1,719,672	2,236,870	5,693,422
6 Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	588,194	678,116	1,140,843	1,488,320	2,943,313
7 Contingent and Non-Contingent Claims Secured by Residential Property	157,992	304,372	516,769	1,078,294	5,626,255
8 Past Due Loans	102,414	-	-	-	-
9 Higher-Risk Categories Defined by Agency	98,318	2,061	2,808	10,403	466,385
10 Other Claims	5,743	-	-	-	-
<b>TOTAL</b>	<b>5,026,320</b>	<b>2,730,226</b>	<b>3,409,584</b>	<b>5,258,659</b>	<b>16,935,649</b>

(\*) Includes to risk amounts before credit risk mitigation but after credit conversions.

### Risk balances according to risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from the shareholders' equity
1 Pre-Amount of Credit Risk Mitigation	5,834,608	-	812,744	6,404,355	8,424,638	15,429,278	294,214	281,452	4,320	-
2 Amount after Credit Risk Mitigation	6,972,493	-	754,246	10,389,889	6,435,630	12,440,513	239,224	250,919	2,695	-

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## Information by Major Sectors and Type of Counterparties:

**Impaired Credits;** are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

**Past Due Credits;** are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation.

	Major Sectors/Counterparties	Credits			
		Impaired Credits	Past Due Credits	Value Adjustments	Provisions
1	<b>Agriculture</b>	<b>16,066</b>	<b>11,934</b>	<b>3,347</b>	<b>7,808</b>
1.1	Farming and Stockbreeding	16,059	11,934	3,347	7,801
1.2	Forestry	1	-	-	1
1.3	Fishery	6	-	-	6
2	<b>Manufacturing</b>	<b>153,364</b>	<b>174,084</b>	<b>49,386</b>	<b>99,568</b>
2.1	Mining	3,290	24,991	3,425	1,065
2.2	Production	147,133	147,940	42,856	96,505
2.3	Electricity, Gas, Water	2,941	1,153	3,105	1,998
3	<b>Construction</b>	<b>106,193</b>	<b>140,837</b>	<b>31,659</b>	<b>70,594</b>
4	<b>Services</b>	<b>243,499</b>	<b>304,503</b>	<b>83,239</b>	<b>147,897</b>
4.1	Wholesale and Retail Trade	211,116	186,692	61,342	130,525
4.2	Hotel, Food and Beverage Services	2,104	6,372	2,838	1,069
4.3	Transportation and Telecommunication	6,235	73,895	7,764	2,067
4.4	Financial Institutions	2,013	366	315	1,960
4.5	Real Estate and Renting Services	21,044	29,711	7,696	11,528
4.6	“Self-Employment” Type Services	-	-	-	-
4.7	Educational Services	50	4,673	1,486	23
4.8	Health and Social Services	937	2,794	1,798	725
5	<b>Other</b>	<b>78,195</b>	<b>135,861</b>	<b>31,981</b>	<b>42,980</b>
6	<b>Total</b>	<b>597,317</b>	<b>767,219</b>	<b>199,612</b>	<b>368,847</b>

## Information About Value Adjustments and Changes in the Loan Impairment:

		The opening balance	Provision amounts set aside during the period	The cancelation of the provisions**	Other adjustments*	Close out balance
1	Specific Provisions	323,821	220,188	(176,645)	1,483	368,847
2	General Provisions	150,439	49,651	(1,480)	1,002	199,612

\* Determined according to exchange rate differences.

\*\* The part of TL 176,645 amounting to 121,878 is write-off amount and loans sold to asset management company

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The credit quality of financial assets as of 31 December 2014 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,502,277	-	5,502,277
Financial assets at fair value through profit and loss	26,110	-	26,110
Financial asset available for sale	1,761,405	-	1,761,405
Loans (*)	24,168,211	597,317	24,765,528
Corporate loans	7,478,690	231,787	7,710,477
Loans to SMEs	12,316,318	305,276	12,621,594
Consumer loans	4,373,203	60,254	4,433,457
Other	-	-	-
Total	31,458,003	597,317	32,055,320

(\*) Leasing receivables are also included in loans.

The credit quality of financial assets as of 31 December 2013 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	4,635,667	-	4,635,667
Financial assets at fair value through profit and loss	46,669	-	46,669
Financial asset available for sale	1,408,649	-	1,408,649
Loans (*)	18,172,359	441,072	18,613,431
Corporate loans	6,431,976	192,451	6,624,427
Loans to SMEs	8,369,896	211,892	8,581,788
Consumer loans	3,370,487	36,729	3,407,216
Other	-	-	-
Total	24,263,344	441,072	24,704,416

(\*) Leasing receivables are also included in loans.

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## Information on Risk Classifications

Risk classifications of receivables from countries or central banks are regarded by grade of Fitch Ratings, global credit rating institution, whereas other institutions remaining outside of Fitch Ratings are subject to the credit ratings country risk classification issued by Organization of Economic Corporation and Development. In case credit rating grades of institutions like Standard & Poor's (S&P), Moody's and Fitch Ratings are available, grades are in use together. Corporate receivables from counterparties are settled abroad with other risk classes, corporate receivables from residents and receivables from banks are accepted as "gradeless". Credit quality grades corresponding to score of Fitch Ratings, Moody's and Standard & Poor's are shown below.

Ratings to be matched	Credit Quality Grade	Fitch	Moody's	S&P
Long term credit ratings	1	AAA and AA-	Aaa and Aa3	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-
	5	B+ and B-	B1 and B3	B+ and B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Short term credit ratings	1	F1+ and F1	P-1	A-1+ and A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	4	F3 below	NP	A-3 below
	5	—	—	—
	6	—	—	—
Long term securitization positions ratings	1	AAA and AA-	Aaa and Aa3	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-
	5	B+ and below	B1 and below	B+ and below
Short term securitization positions ratings	1	F1+ and F1	P-1	A-1+ and A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	Others	F3 below	NP	A-3 below
Match for collective investment undertakings	1	AAA and AA-	Aaa and Aa3	FCQR: AAAf and AA-f; PSFR: AAAm and AA-m
	2	A+ and A-	A1 and A3	FCQR: A+f and A-f; PSFR: A+m and A-m
	3	BBB+ and BBB-	Baa1 and Baa3	FCQR: BBB+f and BBB-f; PSFR: BBB+m and BBB-m
	4	BB+ and BB-	Ba1 and Ba3	FCQR: BB+f and BB-f; PSFR: BB+m and BB-m
	5	B+ and B-	B1 and B3	FCQR: B+f and B-f; PSFR: B+m and B-m
	6	CCC+ and below	Caa1 and below	FCQR: CCC+f and below; PSFR: CCC+m and below

FCQR: Fund Credit Quality Ratings.

PSFR: Principal Stability Fund Ratings.

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### Credit Rating System

The credit risk is assessed through the internal rating system of the Participation Bank. Credits listed from the best ratings (high) to the lowest degrees (below standard) presented below; also in the bottom of the table, non-performing loans (impaired loans) is presented.

Current period <sup>(*)</sup>	Historical Default Rates %	Total <sup>(*)</sup>
High	0.99%	17,932,548
Standard	1.36%	9,925,604
Below Standard	8.06%	55,733
Non-performing Loans	-	597,317
Not Graded	3.31%	6,902,743
<b>Total</b>		<b>35,413,945</b>

<sup>(\*)</sup> The amounts comprise of loans, leasing receivables and commitments and contingencies.

<sup>(\*)</sup> Default ratios are the rate of non-performing loans (impaired loans) in 2014 to loans given in 2014.

The category "High" means that the borrower has a strong financial structure; the category "Standard" means that the borrower has a good and sufficient financial structure, and the category "Below Standard" means that the borrower's financial structure is under risk in the medium and short term.

### Carrying values of rescheduled financial assets:

	Current Period	Prior Period
Banks	-	-
Financial assets at fair value through profit and loss	-	-
Loans	6,528	29,760
Corporate loans	831	8,449
Loans to SMEs	5,697	21,288
Consumer loans	-	23
Other	-	-
<b>Total</b>	<b>6,528</b>	<b>29,760</b>

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## III. Explanations and Disclosures Related to Consolidated Market Risk

The amount subject to market risk is calculated and reported with the Standard Method described in Article 2 of Section 2 of the Communiqué on “Measurement and Assessment of Banks’ Capital Adequacy” published in the Official Gazette No: 28337 dated 28 June 2012. Market risk is measured on a monthly basis.

### 1.1. Information on the consolidated market risk

	<b>Amount</b>
(I) Capital requirement to be employed for general market risk - Standard method	937
(II) Capital requirement to be employed for specific risk - Standard method	-
(III) Standard method for specific risk of necessary capital requirement on securitization positions	-
(IV) Capital requirement to be employed for currency risk - Standard method	4,607
(V) Capital requirement to be employed for commodity risk - Standard method	2,418
(VI) Capital requirement to be employed for settlement risk - Standard method	-
(VII) Total capital requirement to be employed for market risk resulting from options-Standard method	-
(VIII) Counterparty credit risk capital requirement - Standard method	1,606
(IX) Total capital requirement to be employed for market risk in banks using risk measurement model	-
(X) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII+VIII)	9,568
(XI) Market Value at Risk (12.5 x IX) or (12.5 x X)	119,604

### 1.2. Monthly average values at market risk

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest Rate Risk	833	1,427	389	796	1,394	263
Common Share Risk	-	-	-	-	-	-
Currency Risk	3,424	4,890	2,492	2,897	4,348	1,722
Stock Risk	2,244	3,242	1,543	2,120	2,406	1,646
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	1,772	3,725	1,024	1,552	3,664	496
<b>Total Value at Risk</b>	<b>103,421</b>	<b>138,029</b>	<b>78,852</b>	<b>92,068</b>	<b>135,966</b>	<b>59,427</b>

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### 2. Quantitative information on counterparty risk

#### The Methods Related Credit Limits, Internal Capital Allocation and Distribution for Counterparty Risk

Credibility measure, limit allocation, the authorities and responsibilities of the users involved in the processes for transactions subjected to counterparty risk were determined in the bank's internal policies.

Within the scope of counterparty risk, the creditworthiness of customers are evaluated according to their ability in compliance with international and national legislations, the ratings taken from independent rating agencies, their operations, geographical regions and countries, the legislation, economic and social status of the region and countries as well as the customers financial information. Criterias which are regarding to transactions with customers according to considerations results (amount, maturity, exception etc.), are determined based on the rules of the Participation Bank's internal policies and processes.

Collaterals for transactions with customers related the counterparty credit risks, when necessary providing additional collaterals and also provision policies are assessed in the scope of the Participation Bank's credit policies.

The bank does not have a policy for opposite tendency risk mentioned in the Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 2.

#### Positive fair value of agreements, benefits of netting off, netted current risk amount, indemnities and net derivative position

The counterparty risk of trading books for derivative financial instruments is calculated by fair use valuation method within the framework of Regulation on Measurement and Evaluation of Capital Adequacy of Banks in Annex-2. The renewal costs of contracts with positive values are determined by valuation based on the fair value of the contracts. Potential credit risk is calculated by multiplying credit conversion rates with contract amounts mentioned in the Regulation Annex-2. Total amount of counterparty risk is calculated by summing of the renewal costs of contracts with positive values and the potential credit risk of all contracts.

Information About Counterparty Risk	Balance
Contracts based on Interest rate	-
Contracts based on currency	3,739,823
Contracts based on commodity	36,462
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	39,951
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	66,061

In the scope of trading books, there isn't any securement that is traded with loan derivatives, from the bank.

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## IV. Explanations and disclosures related to consolidated operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Section 3 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012. The value at operational risk used in the calculation of Capital Adequacy Standard Ratio is computed with the data dated 31 December 2013, 31 December 2012 and 31 December 2011.

	2 PP value (2011)	1 PP value (2012)	CP value (2013)	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	758,123	982,944	1,105,454	948,840	15	142,326
Amount subject to operational risk (Total*12.5)						1,779,076

## V. Explanations and Disclosures Related to Consolidated Currency Risk

Currency risk is included in foreign currency buying/selling portfolio so that how available position affects the general risk profile is calculated. Sensitivity analysis made by RMD results and stress tests are reported to top management.

The Group centralized currency risk and ensured the managing and bearing of all currency risk by Fund Management. Other profit centers transfers the currency risk on them to Fund Management and the risk is followed in foreign currency buying/selling portfolio.

The Participation Bank efforts not to take short position based on the foreign currency risk. When any currency risk is occurred due to customer transactions, currency risk is eliminated by taking reverse position.

Foreign exchange buying rates of the Parent Participation Bank at the date of the balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	2,8207	2,3189
31 December 2014	2,8207	2,3189
30 December 2014	2,8339	2,3235
29 December 2014	2,8255	2,3182
26 December 2014	2,8368	2,3177
25 December 2014	2,8312	2,3209
24 December 2014	2,8317	2,3165



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The Parent Participation Bank's average foreign currency buying rate over a period of thirty days preceding the date of the financial statement is in the table below:

1 USD	2.2877 TRY
1 EUR	2.8217 TRY

Information on consolidated currency risk of the Group: Foreign Currencies (Thousands of TL)

	EUR	USD	Other FC	Total
<b>Current Period</b>				
Assets				
Cash and Balances with the Central Bank of Turkey	181,317	3,323,910	765,972	4,271,199
Banks	49,550	397,053	40,512	487,115
Financial Assets at Fair Value through Profit/Loss <sup>(4)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	145	831,415	-	831,560
Loans <sup>(1)</sup>	2,438,145	5,365,692	-	7,803,837
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Investments Held to Maturity	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(2)</sup>	485,486	285,988	399	771,873
<b>Total Assets</b>	<b>3,154,643</b>	<b>10,204,058</b>	<b>806,883</b>	<b>14,165,584</b>
Liabilities				
Funds Collected from Banks Via Current and Profit Sharing Accounts	231,835	39,651	300	271,786
Current and Profit Sharing Accounts	1,945,729	3,906,134	545,183	6,397,046
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	540,340	3,556,417	1,052,941	5,149,698
Marketable Securities Issued	-	2,868,914	-	2,868,914
Miscellaneous Payables	28,267	130,746	4,228	163,241
Derivative Financial Liabilities Held for Risk Management <sup>(6)</sup>	-	-	-	-
Other Liabilities <sup>(3)</sup>	23,997	48,149	688	72,834
<b>Total Liabilities</b>	<b>2,770,168</b>	<b>10,550,011</b>	<b>1,603,340</b>	<b>14,923,519</b>
Net Balance Sheet Position	384,475	(345,953)	(796,457)	(757,935)
Net Off Balance Sheet Position	(379,749)	344,425	798,544	763,220
Financial Derivative Assets	665,041	2,228,544	1,299,347	4,192,932
Financial Derivative Liabilities	1,044,790	1,884,119	500,803	3,429,712
Non-Cash Loans <sup>(5)</sup>	1,206,424	3,081,849	101,464	4,389,737

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	EUR	USD	Other FC	Total
<b>Prior Period</b>				
Total Assets	2,761,199	7,274,849	658,624	10,694,672
Total Liabilities	2,030,501	7,969,407	686,079	10,685,987
Net Balance Sheet Position	730,698	(694,558)	(27,455)	8,685
Net Off Balance Sheet Position	(732,883)	666,557	42,098	(24,228)
Financial Derivative Assets	583,662	1,989,956	332,471	2,906,089
Financial Derivative Liabilities	1,316,545	1,323,399	290,373	2,930,317
Non-Cash Loans <sup>(5)</sup>	1,143,731	2,327,049	67,176	3,537,956

<sup>(1)</sup> Loans given includes foreign currency indexed loans as given foreign currency indexed but followed in TL accounts amounting to TL 6,405,900.

<sup>(2)</sup> Other assets comprise of receivables from leasing operations, sundry debtors and other assets. Besides, foreign currency indexed leasing receivables amounting to TL 730,015 and foreign currency indexed closely monitored loans amounting to TL 13,479 are included to other assets. Besides, other assets does not include prepaid expenses amounting to TL 233.

<sup>(3)</sup> Other liabilities include general loan loss provision set for foreign currency denominated and foreign currency indexed loans amounting to TL 16,930 TL. Besides, the amount does not include accrual of derivative financial liabilities held for trading amounting to TL 4,724, rediscount on spot transaction amounting to TL 275, and hedging funds and differences from revaluation of MS are amounting to 271.

<sup>(4)</sup> Accrual of derivative financial assets held for trading amounting to TL 16,607 is deducted from financial assets at fair value through profit or loss.

<sup>(5)</sup> No effect on net off balance sheet position.

<sup>(6)</sup> Derivative financial liabilities held for risk management does not include TL 51,547 which shown in foreign exchanges on financial statements

## Foreign currency sensitivity

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

The following table details the Participation Bank's sensitivity to a 10% change in the TL against USD EUR, and other foreign currencies. 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 TL strengthens 10% against USD, EUR, and other foreign currencies. This analysis has been prepared with the assumption that all other variables remain constant.

	Change in currency rate in %*	Effect on profit/(loss)		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	(153)	(2,800)	(645)	(805)
EUR	10%	473	(219)	473	(219)
Other FC	10%	209	1,464	209	1,464

<sup>(\*)</sup> Includes the profit/(loss) effect in the case of a change for 10% in currency rates.

## VI. Explanations and disclosures related to consolidated interest rate risk

Since the Participation Bank has interest-free banking operations, it does not have any interest sensitive asset or liability and consequently, it does not have any interest rate risk.

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### VII. Explanations and Disclosures Related to Equity Position Risk due from Consolidated Banking Book

Comparison of carrying, fair value and market value of shares is stated below:

	Investment in Shares	Comparison		
		Carrying Value	Fair Value	Market Value
<b>1</b>	<b>Securities Available-for-Sale</b>	<b>4,370</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-
<b>2</b>	<b>Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-
<b>3</b>	<b>Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Quoted Securities	-	-	-

### VIII. Explanations and Disclosures Related to Consolidated Liquidity Risk

The TL and FC liquidity need of the Group is met by the funds collected, when needed, certain amount of funds from abroad are used via syndication loans. The Participation Bank's cash inflows mainly come from profit share income and commissions earned from non-cash loans whereas the cash outflows mainly consist of profit share expenses given to the collected funds and operational expenses. Main reason of the liquidity risk is funding long-term assets with short-term resources. The Group uses its liquidity in foreign investments for one or two weeks in order to maintain regular cash inflows and collects loan installments monthly. Procedures for liquidity risk method and urgent action plan are available for the Group.

The ratios of liquid assets to total assets and liquid assets to funds collected are 22.77% (31 December 2013: 24.87%) and 39.90% (31 December 2013: 41.28%) respectively. Cash demands occurred in every maturity segment are determined via maturity dispersion (Gap) analysis. It is enforced to have short term liquid assets and long term liabilities. As of 31 December 2014 it is seen that 15.40% of total assets are in cash and cash equivalents (31 December 2013: 15.27%) and 1.71% of total assets are in banks (31 December 2013: 3.80%) in financial statements.

Condensation of funds collected to one month predominantly and having long term loans perceived as a threat as in the general conditions of Turkish banking system. In order to decrease related risk to minimum, the Participation Bank enforces to be liquid in up to one month group.

As per the BRSA Communiqué, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly (7 days) and monthly (31 days) liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The liquidity ratios of the years 2014 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	255.86	154.16	164.15	114.61
Maximum (%)	370.61	181.08	191.28	122.98
Minimum (%)	148.60	116.13	135.38	100.95

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Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Unallocated (*)	Total
<b>Current Period</b>								
Assets								
Cash and Balances with the Central Bank of Turkey	5,156,624	-	-	-	-	-	-	5,156,624
Banks and Other Financial Institutions	572,606	-	-	-	-	-	-	572,606
Financial Assets at Fair Value through Profit/Loss	-	23,645	1,888	577	-	-	-	26,110
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available for Sale	4,370	-	503,960	298,644	909,979	153,428	-	1,870,381
Loans	-	2,662,048	3,849,676	8,471,796	7,126,806	717,626	-	22,827,952
Investments Held to Maturity	-	-	18,400	-	550,000	-	-	568,400
Other Assets (**)	372,642	35,256	69,719	309,915	916,354	9,015	754,936	2,467,837
<b>Total Assets</b>	<b>6,106,242</b>	<b>2,720,949</b>	<b>4,443,643</b>	<b>9,080,932</b>	<b>9,503,139</b>	<b>880,069</b>	<b>754,936</b>	<b>33,489,910</b>
Liabilities								
Funds Collected from Banks via Current and Profit Sharing Accounts	7,453	368,460	7,585	1,269	-	-	-	384,767
Current and Profit Sharing Accounts	4,289,822	11,225,549	2,220,038	968,706	23,504	4	-	18,727,623
Funds Provided from Other Financial Institutions	-	257,022	900,442	2,543,840	1,938,793	-	-	5,640,097
Money Market Deposits	-	652,629	-	-	-	-	-	652,629
Marketable Securities Issued	-	-	142,543	80,410	2,848,910	-	-	3,071,863
Miscellaneous Payables	816,148	132,209	-	-	-	-	-	948,357
Other Liabilities (***)	423,768	44,051	38,133	2,452	51,911	-	3,504,259	4,064,574
<b>Total Liabilities</b>	<b>5,537,191</b>	<b>12,679,920</b>	<b>3,308,741</b>	<b>3,596,677</b>	<b>4,863,118</b>	<b>4</b>	<b>3,504,259</b>	<b>33,489,910</b>
Liquidity Gap	569,051	(9,958,971)	1,134,902	5,484,255	4,640,021	880,065	(2,749,323)	-
<b>Prior Period</b>								
Total Assets	5,084,472	2,245,687	2,858,529	7,126,865	6,868,035	528,561	414,430	25,126,579
Total Liabilities	4,533,503	9,601,590	2,448,913	2,622,903	3,087,000	-	2,832,670	25,126,579
Liquidity Gap	550,969	(7,355,903)	409,616	4,503,962	3,781,035	528,561	(2,418,240)	-

(\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans are included in this column.

(\*\*) Other assets include net finance lease receivables amounting to TL 1,340,259 and non-performing loans (net) amounting to TL 228,470.

(\*\*\*) Shareholders' equity and provisions is included in "other liabilities" line under "unallocated" column.

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Analysis of financial liabilities based on the remaining contractual maturities:

The table below is drawn up based on the undiscounted contractual maturities and earliest payment dates of the financial liabilities. Profit share expenses to be paid on such liabilities are included in this table "Adjustments" column is the difference between the balance sheet values and undiscounted values of financial liabilities. These items are not included in the balance sheet value of such financial liabilities.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks Via Profit Sharing Accounts	7,453	368,460	7,585	1,269	-	-	-	384,767
Other Profit Sharing Accounts	4,289,822	11,225,549	2,220,038	968,706	23,504	4	-	18,727,623
Funds Provided from Other Financial Institutions	-	257,141	928,343	2,639,750	2,097,150	-	(282,287)	5,640,097
Money Market Deposits	-	653,056	-	-	-	-	(427)	652,629
Equities Issued	-	-	144,587	223,859	3,279,047	-	(575,630)	3,071,863
Miscellaneous Payables	816,148	132,209	-	-	-	-	-	948,357
Other Liabilities	20,669	63	25	-	-	-	-	20,757
<b>Total</b>	<b>5,134,092</b>	<b>12,636,478</b>	<b>3,300,578</b>	<b>3,833,584</b>	<b>5,399,701</b>	<b>4</b>	<b>(858,344)</b>	<b>29,446,093</b>
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks Via Profit Sharing Accounts	12,066	337,053	1,498	-	-	-	-	350,617
Other Profit Sharing Accounts	3,428,303	8,185,399	1,871,688	1,214,126	91,547	-	-	14,791,063
Funds Provided from Other Financial Institutions	-	221,588	564,962	1,465,900	3,082,491	-	(168,933)	5,166,008
Money Market Deposits	-	721,560	-	-	-	-	-	721,560
Miscellaneous Payables	543,874	91,104	-	-	-	-	-	634,978
Other Liabilities	224,706	-	-	-	-	-	-	224,706
<b>Total</b>	<b>4,208,949</b>	<b>9,556,704</b>	<b>2,438,148</b>	<b>2,680,026</b>	<b>3,174,038</b>	<b>-</b>	<b>(168,933)</b>	<b>21,888,932</b>

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Maturity analysis of conditioned liabilities and commitments is as follows:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Collaterals	3,039,910	1,457,397	1,029,830	3,393,231	1,552,975	175,074	10,648,417
Irrevocable Commitments	2,059,946	1,450,607	28,258	21,974	1,470	1	3,562,256
Forward asset purchase and sale commitments	-	1,435,707	-	-	-	-	1,435,707
Share capital commitments to associates and subsidiaries	-	7,046	10,397	9,173	-	-	26,616
Commitments for cheque payments	1,253,169	-	-	-	-	-	1,253,169
Tax and fund obligations on export commitments	-	84	3	120	1,470	1	1,678
Commitments for credit card limits	805,524	-	-	-	-	-	805,524
Commitments for credit cards and banking services promotions	1,253	-	-	-	-	-	1,253
Other irrevocable commitments	-	7,770	17,858	12,681	-	-	38,309
Revocable Commitments	-	-	-	-	-	-	-
Revocable loan allocation commitments	-	-	-	-	-	-	-
Financial derivative instruments for hedging	-	-	-	-	1,107,747	-	1,107,747
Transactions for cash flow hedging	-	-	-	-	1,107,747	-	1,107,747
Forward foreign currency buy/sell transactions	-	5,391,763	470,922	265,196	141,717	-	6,269,598
Forward foreign currency transactions-buy	-	2,534,644	235,694	131,729	70,717	-	2,972,784
Forward foreign currency transactions-sell	-	2,309,445	171,567	133,467	71,000	-	2,685,479
Other forward foreign currency buy/sell transactions	-	547,674	63,661	-	-	-	611,335
<b>Total</b>	<b>5,099,856</b>	<b>8,299,767</b>	<b>1,529,010</b>	<b>3,680,401</b>	<b>2,803,909</b>	<b>175,075</b>	<b>21,588,018</b>

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Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Collaterals	2,706,414	1,190,773	788,461	1,345,119	2,654,675	218,697	8,904,139
Irrevocable Commitments	1,816,836	505,334	12,875	27,562	153	-	2,362,760
Forward asset purchase and sale commitments	-	492,668	-	-	-	-	492,668
Share capital commitments to associates and subsidiaries	-	1,744	2,506	12,768	-	-	17,018
Commitments for cheque payments	1,109,434	-	-	-	-	-	1,109,434
Tax and fund obligations on export commitments	-	1,262	131	487	153	-	2,033
Commitments for credit card limits	706,334	-	-	-	-	-	706,334
Commitments for credit cards and banking services promotions	1,068	-	-	-	-	-	1,068
Other irrevocable commitments	-	9,660	10,238	14,307	-	-	34,205
Revocable Commitments	-	-	-	-	-	-	-
Revocable loan allocation commitments	-	-	-	-	-	-	-
Forward foreign currency buy/sell transactions	-	5,722,240	1,051,437	361,176	-	-	7,134,853
Forward foreign currency transactions-buy	-	2,809,786	423,341	126,898	-	-	3,360,025
Other forward transactions buy/sell	-	2,689,385	529,231	180,275	-	-	3,398,891
Total	-	223,069	98,865	54,003	-	-	375,937
<b>Total</b>	<b>4,523,250</b>	<b>7,418,347</b>	<b>1,852,773</b>	<b>1,733,857</b>	<b>2,654,828</b>	<b>218,697</b>	<b>18,401,752</b>

### IX. Explanations and Disclosures Related to Consolidated Securitization Position

The Group has not securitization position.

### X. Explanations and Disclosures Related to Consolidated Credit Risk Mitigation Techniques

The Group applies credit risk mitigation according to simple method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 33 of the "Regulation on Credit Risk Mitigation Techniques".

The risk mitigators that are used in credit process are stated below:

- Financial Collaterals (Cash or equivalent and high quality credit level had debt instruments)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

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The value of mortgage is being revalued during the credit period. Only Treasury and the Banks' guarantees are taken into account as risk mitigation within the framework of BRSA regulations. Besides, the credibility of Group is reviewed periodically.

There is no on-balance sheet netting and special netting agreement.

<b>Risk Classifications</b>	<b>Amount <sup>(*)</sup></b>	<b>Financial Collaterals</b>	<b>Other/ Physical Collaterals</b>	<b>Guarantees and credit derivatives</b>
Contingent and Non-Contingent Claims on Sovereigns	7,768,699	547,641	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	132	5	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	82,137	2,882	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1,265,157	488,826	-	-
Contingent and Non-Contingent Claims on Corporate Receivables	14,934,041	769,500	-	14,981
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	9,504,201	411,812	-	125,402
Contingent and Non-Contingent Claims Secured by Residential Property	8,222,365	-	-	-
Past Due Loans	102,415	143	-	-
Higher-Risk Categories Defined by Agency	580,031	11,423	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-
Other Claims	1,119,833	362	-	-

<sup>(\*)</sup> Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

## XI. Explanations and Disclosures Related to Consolidated Risk Management Target and Policies

The risk measurement, description and following activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

Risk Management Department consists of Risk Policy and Reporting and Risk Analysis Management.

The storage of the datas, analysis and measurement of risks, the results of analysis and monitor activities of compliance with limit and criteria which is determined due to the credit policy of the Parent Participation Bank's credit risk from banking book is regularly reported to the Board of Directors, the audit committee and the management by the Risk Management Department. The following of compliance and focusing of the limit of country, products, customer, maturity and sector has been carried out periodically.

The analysis about under close monitoring and non-performing loans and receivables is being made in order to provide suggestions to the Board of Directors, the audit committee and the management for risk factors on market, sector, customer, products and application process of internal banking.

Scoring models and the decision support system are used in the process of credit evaluation of the Participation Bank internal rating and the actions according to the ratings are defined due to the credit policies. Mentioned rating, scoring and the decision support system regularly followed and tested retrospectively.



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To ensure that credit risk exposure arising from personal loans and credit cards is measured reliably and effectively, policy and rule-based decision support systems are consistently employed, as are a variety of portfolio-specific, statistics-based scoring models that have been developed.

Risk ratings for personal loans and credit cards is done through using scoring models which, specially-developed for banking portfolio by using statistical methods. Different models are using for different product groups, by this way the most efficient risk assessment and risk rating can be done for each product group. Customers are classified according to their risk profiles by using risk ratings produced by models.

In the case of loans made to small-business, commercial, and corporate customers, credit risk quantification and grading employs rating models which are both sector-appropriate and international standard-compliant and which make use of portfolio-specific statistical methods. These rating models generate not only individual customers' ratings but also provide estimates of a customer's probability of default (PD). Generated ratings and PD values are actively used in determining process of credit decisions and operating conditions.

In addition to these rating models, small-business, commercial, and corporate customer credit risk measurement and grading also involve the use of a suite of target market and risk acceptance criteria that make it possible to make judgments about individual customers' ratings based on their sector and appetite for risk.

The risk exposure of the credit portfolio of the Participation Bank in the negative economic circumstances proactively managed by estimating via scenario analysis and stress tests. Besides, product risk analysis is made with calculating the exposure of the new products on the Participation Bank's credit portfolio and financial structure.

Besides, product risk analysis is made with calculating the exposure of the new products on the Participation Bank's credit portfolio and financial structure.

The Board of Directors, the audit committee and the management of the Participation Bank are informed by the Risk Management Department monthly and quarterly about the quality of credit portfolio, statistics, eye catching fluctuations and compliance with related policies/procedures and the reports, in which these analysis are took part in with the calculation, analysis and monitor activities; and thus, the required update on related policies and processes are made after the evaluation of these results.

Market risk factors and its effects are measured and regularly reported to BRSA in the Group. The market risks are measured and reported with the standard method including trading accounts according to the "Communiqué on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In addition, Internal Capital Adequacy Assessment Process (ICAAP) studies related to end of 2013 are completed on September 2014 approved by Board of Directors and delivered to relevant legal authorities.

Risk mitigating cautions are applied while managing the foreign exchange position with defining the trading of foreign exchange, stop loss and position limits. The risk calculation of specified limits, monitor the consistency of limits, control and reporting are performed by the Risk Management Department.

Stress tests are performed to follow up the effect of the volatility of the market conditions on the financial position and to reduce the possible risks.

The Group apply some strategies in order to mitigate liquidity risk such as diversification of funding sources, obtaining funds with a longer term and catching the maturity match between the assets and liabilities.

Risk Management Department created some methodologies and methods to measure, analysis, report and manage the liquidity risk.

The liquidity position is analyzed by decomposing of all balance sheet items has impact on liquidity based on their maturities. In addition, the measurement of liquidity ratios is calculated and evaluated on a monthly basis in the meetings of Asset/Liability Committee. The Participation Bank also prepares "Liquidity Coverage Ratio" and "Net Stable Funding Ratio" reports in line with the principles of Basel III. Liquidity Coverage Ratio Report is shared with BRSA according to related regulations. On the other hand Net Stable Funding Ratio Report is prepared for getting information.

The stress tests are performed to calculate the liquidity risk of the Group.

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The liquidity risk management and emergency plan in which the actions and the cautions defined with their priorities are built in case of any liquidity congestion results from the Participation Bank or market.

The Parent Participation Bank adopts a risk terminology which is in accordance with Basel II in order to create an international approach on Operational Risk Management. This common risk language provides a consistent view and communication about operational risk throughout the Parent Participation Bank. A software is used in order to support the standard framework for the management of operational risk by creating the data house for risk losses and reporting and analyzing of the mentioned data.

The Parent Participation Bank, perform insurance policies which are customary in the industry transaction and the necessary works as a result of the realization of operational risk which is the risk of loss or damage in order to be transferred out of the bank.

In accordance to the "Regulation on Procurement of Support Services of the Banks", support services which are the purchased by units of the participant bank. For the provider services who are related services and supplier of purchased units had prepared the report which is examined and performed the risk opinion and presented to audit committee.

The Risk Control Evaluation (RCE) is performed periodically in the Parent Participation Bank as a basic principle of the Basel II Operational Risk implementations. It is aimed with RCE to restrict the operational risk effects by investigating the business processes subject to operational risk and performing controls by the process owners. In the departments where RCE study is implemented, 'Key Risk Indicators' and the threshold value for the mentioned risk points are determined.

Besides, in consequence of the Capital Adequacy Measurement and Reporting Project, it has been ensured that a flexible parametric model that shall be in compliance with legal framework changes has been built, a reporting infrastructure that is in accordance with Basel II standards has been created, stress tests to the capital adequacy related risks has been applied and current system infrastructure is still being used.

## XII. Explanations and disclosures related to fair values of consolidated financial assets and liabilities

The table below shows the carrying value and the fair value of financial assets and liabilities of the Participation Bank:

	Carrying value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>30,470,211</b>	<b>22,967,192</b>	<b>30,316,041</b>	<b>22,863,326</b>
Cash and Balances With Central Banks	5,156,624	3,836,254	5,156,624	3,836,254
Equity Securities	-	-	-	-
Banks (*)	572,606	954,203	572,606	954,203
Financial Assets Available For Sale	4,370	4,376	4,370	4,376
Loans (**)	24,168,211	18,172,359	23,998,220	18,068,493
Investments Held To Maturity (****)	568,400	-	584,221	-
<b>Financial Liabilities</b>	<b>29,425,336</b>	<b>21,664,211</b>	<b>29,253,479</b>	<b>21,650,283</b>
Funds Collected from Banks Via Current and Profit Sharing Accounts (***)	384,767	350,617	384,767	350,617
Current and Profit Sharing Accounts (***)	18,727,623	14,791,063	18,727,623	14,791,063
Funds Provided from Other Financial Institutions (****)	5,640,097	4,091,762	5,484,668	4,075,644
Marketable Securities Issued	3,071,863	1,074,246	3,055,435	1,076,436
Miscellaneous Payables	948,357	634,963	948,357	634,963
Payables to Money Market	652,629	721,560	652,629	721,560

(\*) Because due from banks are demand deposits, their carrying value and fair value is the same.

(\*\*) In order to calculate the fair value of loans, current profit sharing rates are used as of the balance sheet date. Loans balance also includes finance lease receivables.

(\*\*\*) Carrying value of the funds collected funds collected from banks via current and profit sharing accounts and current and profit sharing accounts equals to their fair value as it is revalued with the year end unit value.

(\*\*\*\*) Loan rates that valued as balance sheet date are used for fair value calculation of funds that provided by other financial corporation.

(\*\*\*\*) Presentational fair values of investments which are held to maturity determines as level 1.

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The table below analyses financial instruments carried at fair value, by valuation method:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available for Sale	-	1,866,011	-	1,866,011
Financial Assets Held for Trading	-	669	-	669
Derivative Financial Assets Held for Trading	-	25,441	-	25,441
<b>Financial Assets at Fair Value</b>	<b>-</b>	<b>1,892,121</b>	<b>-</b>	<b>1,892,121</b>
Derivative Financial Liabilities Held for Trading <sup>(*)</sup>	-	10,068	-	10,068
Derivative Financial Liabilities Held for Risk Management	-	51,547	-	51,547
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>61,615</b>	<b>-</b>	<b>61,615</b>

(\*) Includes spot transaction valuations amounting to TL 586 which are classified in other provisions on balance sheet.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available for Sale	-	1,408,649	-	1,408,649
Financial Assets Held for Trading	-	198	-	198
Derivative Financial Assets Held for Trading	-	46,471	-	46,471
<b>Financial Assets at Fair Value</b>	<b>-</b>	<b>1,455,318</b>	<b>-</b>	<b>1,455,318</b>
Derivative Financial Liabilities Held for Trading	-	39,140	-	39,140
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>39,140</b>	<b>-</b>	<b>39,140</b>

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

Observable market prices such as the marketable security prices which are announced by CBRT and the prices obtained from foreign capital markets are used for fair value determination of financial assets and liabilities measured at fair value except derivative assets and derivative liabilities held for trading. The similar ratios announced in the capital markets are used for discounting the contractual prices of derivative financial assets and derivative financial liabilities for fair value determination.

### XIII. Transactions carried out on behalf of customers, items held in trust

The Group does not provide buying, selling and custody services and management and financial advisory services in the name of the third parties. The Group is not involved in trust activities.

### XIV. Explanations on Consolidated Hedge Accounting

The Participation Bank applies Cash Flow Hedge (“CFH”) accounting models as of balance date. Cross currency swaps are used as hedging instrument in CFH accounting. Contractual amounts and the fair values as at 31 December 2014 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional <sup>(*)</sup>	Asset	Liability	Notional <sup>(*)</sup>	Asset	Liability
Hedging instrument	-	-	-	-	-	-
Cross Currency Swap	577,739	-	51,547	-	-	-
<b>Total</b>	<b>577,739</b>	<b>-</b>	<b>51,547</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Only the “sell” legs of the related derivatives are presented with the addition of the “buy” legs of these derivatives amounting to TL 530,008 (31 December 2013: None) the total notional of derivative financial assets amounting to TL 1,107,747 (31 December 2013: None) is accounted for in off-balance sheet under “Hedging Derivative Financial Instruments” line item.

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## Cash flow hedge accounting

The Participation Bank, convert 800,000 Malaysian Ringgit securities, which issued in terms of a 6% profit share rate and June 2019 maturity date, to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on marketable securities issued.

The hedging instruments are cross currency swaps and the hedged item is the cash outflow due to the changes in exchange rates of marketable securities issued.

### Current Period

Type of hedging instrument	Hedged item (asset and liability) <sup>(*)</sup>	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(*)</sup>
			Asset	Liability	
Swap Transactions	Marketable securities issued	Cash flow risk due to the changes in the foreign exchange rates	-	51,547	(3,668)

<sup>(\*)</sup> Includes the deferred tax effect.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CHF accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CHF accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

## SECTION FIVE

### EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

#### I. Explanations Related to the Assets of Consolidated Financial Statements

##### 1. Cash and Central Bank of Turkey:

###### 1.1. Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	128,538	84,553	89,017	60,628
Central Bank of Turkey	756,723	4,173,339	469,277	3,212,187
Others	164	13,307	12	5,133
<b>Total</b>	<b>885,425</b>	<b>4,271,199</b>	<b>558,306</b>	<b>3,277,948</b>

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### 1.2. Information on Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	756,723	1,423,443	467,739	305,464
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	1,538	-
Others <sup>(*)</sup>	-	2,749,896	-	2,906,723
<b>Total</b>	<b>756,723</b>	<b>4,173,339</b>	<b>469,277</b>	<b>3,212,187</b>

<sup>(\*)</sup> Reserve deposits that are kept as blockage in CBTR for foreign currency liabilities. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 6% and 11%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. After the change in communiqué reserve ratio for Turkish Lira liabilities has been changed to between 5% and 13% according to the maturity of the liabilities and it has been taken into consideration as of the report date.

### 2. Information on Financial Assets at Fair Value through Profit and Loss

The other security line in the amount of TL 669 refers to fair value of spot derivative transactions of the Group, accounted based on the settlement date, between the trade date and the balance sheet date (31 December 2013: TL 198).

#### 2.1. Information on Financial Assets at Fair Value through Profit and Loss, Which are Given as Collateral or Blocked

None (31 December 2013: None).

#### 2.2. Information on Financial Assets at Fair Value through Profit and Loss, Which are Subject to Repurchase Agreements

None (31 December 2013: None).

#### 2.3. Positive Differences Related to Derivative Financial Assets Held-for-Trading

Financial Derivative Assets Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	2,375	2,954	33,288	9,512
Swap Transactions	6,915	13,197	505	3,166
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9,290</b>	<b>16,151</b>	<b>33,793</b>	<b>12,678</b>

### 3. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	85,487	397,244	484,411	379,715
Foreign	4	89,871	37	90,040
Branches and Head Offices Abroad	-	-	-	-
<b>Total</b>	<b>85,491</b>	<b>487,115</b>	<b>484,448</b>	<b>469,755</b>

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	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	28,715	34,952	-	-
USA and Canada	51,269	46,472	-	-
OECD Countries*	3,605	5,194	-	-
Off-Shore Banking Regions	515	350	-	-
Other	5,771	3,109	-	-
<b>Total</b>	<b>89,875</b>	<b>90,077</b>	<b>-</b>	<b>-</b>

\* OECD countries other than the EU countries, USA and Canada

## 4. Information on Financial Assets Available for Sale

	Current Period	Prior Period
Debt Securities	1,866,011	1,408,649
Quoted on a Stock Exchange	-	-
Not Quoted <sup>(*)</sup>	1,866,011	1,408,649
Share Certificates	4,370	4,376
Quoted on a Stock Exchange	-	-
Not Quoted <sup>(**)</sup>	4,370	4,376
Impairment Provision (-)	-	-
Other	-	-
<b>Total</b>	<b>1,870,381</b>	<b>1,413,025</b>

(\*) Although the related debt securities are quoted on a Stock Exchange, they have been presented as not quoted since the market transactions are not deep enough as of balance sheet date.

(\*\*) In the current period, "Kredi Garanti Fonu" amounting to TL 4,211 is presented in the not quoted line.

As of 31 December 2014, the Group's "financial assets available-for-sale" portfolio includes the rent certificate at a total face value of TL 1,715,753 (31 December 2013: TL 1,427,083), a total carrying value amounting to TL 1,761,406 (31 December 2013: TL 1,408,649) which is issued by Republic of Turkey Under secretariat of Treasury.

### 4.1. Available-for-Sale Financial Assets Blocked/Given As Collateral or Subject to Repurchase Agreements

As of 31 December 2014, available-for-sale financial assets blocked/given as collateral or subject to repurchase agreements are amounting to TL 773,960 (31 December 2013: TL 415,930).

### 4.2. Information on Financial Assets Available for Sale, Which are Subject to Repurchase Agreements

As of 31 December 2014, information on financial assets available for sale, which are subject to repurchase agreements are amounting to TL 414,483 (31 December 2013: TL 724,055).

## 5. Information Related to Loans

### 5.1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	117	24,475	106	33,432
Corporate Shareholders	-	24,475	-	22,534
Real Person Shareholders	117	-	106	10,898
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	16,218	-	15,367	-
<b>Total</b>	<b>16,335</b>	<b>24,475</b>	<b>15,473</b>	<b>33,432</b>

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### 5.2. Information about the First And Second Group Loans and Other Receivables Including Loans That Have Been Restructured or Rescheduled

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
<b>Cash Loans</b>	22,060,733	45,307	1,054	767,219	331,675	5,474
Export Loans	1,245,101	-	-	4,646	-	-
Import Loans	-	-	-	-	-	-
Business Loans	16,528,477	42,821	1,054	651,175	327,197	5,474
Consumer Loans	3,927,581	2,486	-	93,535	4,478	-
Credit Cards	339,029	-	-	13,058	-	-
Loans Given to Financial Sector	14,104	-	-	-	-	-
Other	6,441	-	-	4,805	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>22,060,733</b>	<b>45,307</b>	<b>1,054</b>	<b>767,219</b>	<b>331,675</b>	<b>5,474</b>

The loans for which the amendments related to the extension of the payment plan made according to article 4 of first clause (a) and (b) of "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision" are stated below as of 31 December 2014.

	Number of amendments related to the extension of the payment plan	
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	44,412	324,914
Extended for 3, 4 or 5 times	895	6,761
Extended for more than 5 times	-	-
The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	4,136	5,976
6-12 Months	12,493	26,449
1-2 Years	15,236	103,308
2-5 Years	13,442	188,469
5 Years and More	-	7,473

According to article 5 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there is no restructured loan as of 31 December 2014.

According to article 6 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there are five restructured loans as of 31 December 2014. The maturity date of these loans were rolled over 393-1,123 days.

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### 5.3. Maturity Analysis of Cash Loans

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Short-Term Loans and Other Receivables</b>	<b>6,265,839</b>	<b>-</b>	<b>116,835</b>	<b>-</b>
Loans	6,265,839	-	116,835	-
Other Receivables	-	-	-	-
	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>15,793,840</b>	<b>1,054</b>	<b>644,910</b>	<b>5,474</b>
Loans	15,793,840	1,054	644,910	5,474
Other Receivables	-	-	-	-

### 5.4. Collaterals Received for Loans and Other Receivables under Close Monitoring

	Current Period	Prior Period
Cash	23,389	23,365
Mortgages	445,748	437,055
Pledged Assets	45,411	35,501
Cheques and Notes	146,036	68,704
Other Collaterals	1,832	2,528
Unsecured Loans	123,370	121,513
<b>Total</b>	<b>785,786</b>	<b>688,666</b>



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### 5.5. Information on Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

	Short Term	Medium and Long Term	Total
<b>Consumer Loans - TL</b>	<b>72,844</b>	<b>3,930,285</b>	<b>4,003,129</b>
Real Estate Loans	13,816	3,466,824	3,480,640
Auto Loans	14,542	254,803	269,345
General Purpose Consumer Loans	31,010	82,443	113,453
Other	13,476	126,215	139,691
<b>Consumer Loans - FC Indexed</b>	<b>-</b>	<b>9,652</b>	<b>9,652</b>
Real Estate Loans	-	9,633	9,633
Auto Loans	-	-	-
General Purpose Consumer Loans	-	19	19
Other	-	-	-
<b>Consumer Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards - TL</b>	<b>261,427</b>	<b>7,530</b>	<b>268,957</b>
With Instalment	73,219	7,530	80,749
Without Instalment	188,208	-	188,208
<b>Individual Credit Cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
<b>Personnel Loans -TL</b>	<b>953</b>	<b>7,382</b>	<b>8,335</b>
Real Estate Loans	-	203	203
Auto Loans	264	3,198	3,462
General Purpose Consumer Loans	240	1,199	1,439
Other	449	2,782	3,231
<b>Personnel Loans - FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7,866</b>	<b>17</b>	<b>7,883</b>
With Instalment	2,616	17	2,633
Without Instalment	5,250	-	5,250
<b>Personnel Credit Cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
<b>Total</b>	<b>343,090</b>	<b>3,954,866</b>	<b>4,297,956</b>

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## 5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
<b>Commercial Loans with Instalment-TL</b>	<b>96,839</b>	<b>779,863</b>	<b>876,702</b>
Business Loans	12,334	658,817	671,151
Auto Loans	3,779	96,359	100,138
General Purpose Consumer Loans	364	24,423	24,787
Other	80,362	264	80,626
<b>Commercial Loans with Instalment - FC Indexed</b>	<b>140</b>	<b>26,537</b>	<b>26,677</b>
Business Loans	140	22,722	22,862
Auto Loans	-	156	156
General Purpose Consumer Loans	-	2,267	2,267
Other	-	1,392	1,392
<b>Commercial Loans with Instalments - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>73,122</b>	<b>2,125</b>	<b>75,247</b>
With Instalment	13,401	2,125	15,526
Without Instalment	59,721	-	59,721
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
<b>Total</b>	<b>170,101</b>	<b>808,525</b>	<b>978,626</b>

## 5.7. Loan Distribution According to Borrowers

	Current Period	Prior Period
Public Sector	58,452	-
Private Sector	22,769,500	17,330,710
<b>Total</b>	<b>22,827,952</b>	<b>17,330,710</b>

## 5.8. International and Domestic Loans

Non-performing loans excluding, all loans are as follows

	Current Period	Prior Period
Domestic Loans	22,671,689	17,166,355
International Loans	156,263	164,355
<b>Total</b>	<b>22,827,952</b>	<b>17,330,710</b>

## 5.9. Loans Granted to Subsidiaries and Participations

None (31 December 2013: None).

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### 5.10. Specific Provisions Provided Against Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	35,770	18,759
Loans and Receivables with Doubtful Collectibility	61,102	61,163
Uncollectible Loans and Receivables	271,975	243,899
<b>Total</b>	<b>368,847</b>	<b>323,821</b>

### 5.11. Information on Non-Performing Loans (Net)

#### 5.11.1 Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

None (31 December 2013: None).

#### 5.11.2. Information of Movements of Loans

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Prior Period Ending Balance	36,947	103,627	300,498
Additions (+)	385,028	7,830	23,432
Transfers from Other Categories of Non- performing Loans (+)	-	227,944	170,982
Transfers to Other Categories of Non-performing Loans (-)	(227,944)	(170,982)	-
Collections (-)	(54,535)	(25,795)	(57,837)
Write-offs (-)	(4,684)	(9,023)	(108,171)
Corporate and Commercial Loans	(4,682)	(4,798)	(85,070)
Retail Loans	-	(2,205)	(9,771)
Credit Cards	(2)	(1,896)	(11,329)
Other	-	(124)	(2,001)
Current Period Ending Balance	134,812	133,601	328,904
Specific Provisions (-)	(35,770)	(61,102)	(271,975)
Net Balance on Balance Sheet	99,042	72,499	56,929

<sup>(1)</sup> The Participation Bank has sold its non-performing loans portfolio part of TL 116,604 on 25 October 2013 with amount of TL 15,132 to asset management companies.

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## 5.11.3. Information on Foreign Currency Loans and Other Receivables Included in Loans under Follow-Up Account

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period:</b>			
Period Ending Balance	-	16	5,066
Specific Provisions (-)	-	(16)	(5,066)
Net Balance on Balance Sheet	-	-	-
<b>Prior Period:</b>	-	-	-
Prior Period Ending Balance	-	4,114	5,763
Specific Provisions (-)	-	(2,214)	(4,964)
Net Balance on Balance Sheet	-	1,900	799

## 5.11.4. Information on Gross and Net Non-Performing Loans and Receivables as per Customer Categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>99,042</b>	<b>72,499</b>	<b>56,929</b>
Loans to Individuals and Corporates (Gross)	134,139	133,154	325,234
Specific Provisions (-)	(35,612)	(60,887)	(268,480)
Loans to Individuals and Corporates (Net)	98,527	72,267	56,754
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	673	447	3,670
Specific Provisions (-)	(158)	(215)	(3,495)
Other Loans and Receivables (Net)	515	232	175
<b>Prior Period (Net)</b>	<b>18,188</b>	<b>42,464</b>	<b>56,599</b>
Loans to Individuals and Corporates (Gross)	36,848	103,464	296,739
Specific Provisions (-)	(18,684)	(61,067)	(240,345)
Loans to Individuals and Corporates (Net)	18,164	42,397	56,394
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	99	163	3,759
Specific Provisions (-)	(75)	(96)	(3,554)
Others Loans and Receivables (Net)	24	67	205

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### 5.11.5. Collaterals Received for Non-Performing Loans

	Current Period	Prior Period
Cash	8,875	1,925
Mortgages	202,064	153,917
Pledged Assets	24,815	22,977
Cheques and Notes	113,120	59,650
Other Collaterals	9,861	10,500
Unsecured Loans	238,582	192,103
<b>Total</b>	<b>597,317</b>	<b>441,072</b>

### 5.11.6. Non-Performing Loans and Main Guidelines of Liquidation Process for Loans and Receivables

Related loans are classified as non-performing loans as per "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions" which was published in the Official Gazette No: 26333 on 1 November 2006.

### 5.11.7. Explanation on "Write-off" Policies

The loans and receivables whose collections are considered to be definitely uncollectible are collected by legal proceedings and enashing the guarantees or written-off by the decision of the Participation Bank's management pursuant to the requirements in outstanding Turkish Tax Procedures Code. In the current period the Participation Bank sold its non-performing loans amounting to TL 116,604 (31 December 2013: TL 4,522) to asset management companies and written off amounting to TL 5,274 (31 December 2013: TL 53,432).

### 5.12. Other Explanation and Disclosures

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

Current Period <sup>(*)</sup>	0-30 Days	31- 60 Days	61- 90 Days	Total
<b>Loans and Receivables</b>				
Commercial Loans	13,613	9,147	5,479	28,239
SME Loans	27,642	16,318	6,342	50,302
Consumer Loans	4,999	2,916	1,907	9,822
<b>Total</b>	<b>46,254</b>	<b>28,381</b>	<b>13,728</b>	<b>88,363</b>

<sup>(\*)</sup> Only past due loans are presented and the principals of unpaid loans.

Prior Period <sup>(*)</sup>	0-30 Days	31- 60 Days	61- 90 Days	Total
<b>Loans and Receivables</b>				
Commercial Loans	15,875	12,465	5,965	34,305
SME Loans	11,301	8,875	3,858	24,034
Consumer Loans	1,839	4,618	2,893	9,350
<b>Total</b>	<b>29,015</b>	<b>25,958</b>	<b>12,716</b>	<b>67,689</b>

<sup>(\*)</sup> Only past due loans are presented and the principals of unpaid loans.

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## 6. Investments Held-to-Maturity (Net)

### 6.1. Investments Subject to Repurchase Agreements and Given as Collateral/Blocked:

As of 31 December 2014, investments given as collateral are amounting to TL 83,790 (31 December 2013: None).

As of 31 December 2014, investments held-to-maturity subject to repurchase agreements are amounting to TL 212,243 (31 December 2013: None).

### 6.2. Information on Securities Held-to-Maturity

	Current Period	Prior Period
Debt Securities	568,400	-
Quoted on a Stock Exchange	-	-
Not Quoted <sup>(*)</sup>	568,400	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>568,400</b>	<b>-</b>

### 6.3. Changes in Securities Held-to-Maturity

	Current Period	Prior Period
Opening Balance	-	-
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	550,000	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	-	-
Income Accruals and Rediscounts	18,400	-
Ending Balance	568,400	-

## 7. Information on Associates (Net)

None (31 December 2013: None).

## 8. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on 22 October 2012, asset rent company was established purposing rent certificate issues with the capital TL 50 as at 11 February 2013. Asset rent company named TF Varlık Kiralama A.Ş. was established with the authorizations of Banking Regulation and Supervision Agency dated 20 December 2012, Capital Markets Board dated 1 February 2013 and Ministry of Customs and Trade dated 8 February 2013. According to a decision of the Parent Participation Bank, second asset rent company was established purposing rent certificate issues with the capital of TL 50 as at 8 July 2014 named TFKB Varlık Kiralama A.Ş.

### Information on Consolidated Subsidiaries (Net)

	Associate	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	TF Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	-
2	TFKB Varlık Kiralama AŞ	İstanbul/Türkiye	100.00	-

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
1	3,106,686	50	-	-	-	-	-	-
2	71,353	249	-	-	-	199	-	-

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### 9. Information on Entities under Common Control

None (31 December 2013: None).

### 10. Information on Finance Lease Receivables

#### 10.1. Presentation of Finance Lease Investments According to Their Remaining Maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	561,564	473,637	306,164	266,131
1-4 Years	954,243	804,833	605,449	526,282
More Than 4 Years	73,260	61,789	56,642	49,236
<b>Total</b>	<b>1,589,067</b>	<b>1,340,259</b>	<b>968,255</b>	<b>841,649</b>

#### 10.2. Financial Information on Net Investments Made in Finance Lease

	Current Period	Prior Period
Gross Finance Lease Receivables	1,589,067	968,255
Income Earned from Other Operations apart from Finance Lease (-)	(248,808)	(126,606)
Written off leasing amounts	-	-
<b>Total</b>	<b>1,340,259</b>	<b>841,649</b>

10.3. General Information on Criteria Used in Determination of Contingent Lease Installments, If Any, Updates About Available Situations and Contract Amounts Related to Renewal or Purchase Options and Constraints due to Leasing Contracts, Any Past Due Situations, Renewal of Contracts, If Renewaled, Conditions on It, Any Matter Caused to Constraints and Other Important Issues Related to Finance Lease Contracts

Finance lease contracts are realized in consistent with the Financial Leasing, Factoring And Financing Companies Law Nr. 6361. There is not any constraint due to finance lease contracts or any renewal that affects consolidated financial statements (31 December 2013: None).

### 11. Derivative Financial Assets Held for Risk Management

None (31 December 2013: None).

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## 12. Information on Tangible Assets

	Buildings	Leased Tangible Assets	Other Tangible Assets	Total
<b>Cost</b>				
Opening Balance	115,150	5,782	217,370	338,302
Movements in the Current Period	189,695	(109)	36,835	226,421
- Additions	161,909	-	49,766	211,675
- Disposals	-	-	(14,206)	(14,206)
- Transfers	-	(109)	1,275	1,166
- Impairments (Losses)/Reversals	73	-	-	73
- Value Increase	27,713	-	-	27,713
<b>Ending Balance</b>	<b>304,845</b>	<b>5,673</b>	<b>254,205</b>	<b>564,723</b>
<b>Accumulated Depreciation</b>				
Opening Balance	(2,288)	(5,782)	(118,543)	(126,613)
- Accumulated Depreciation Reversals	-	-	-	-
Movements in the Current Period	(308)	7	(19,825)	(20,126)
- Depreciation Expense	(308)	(2)	(32,069)	(32,379)
- Value Increase	-	-	-	-
- Transfers	-	9	(172)	(163)
- Disposals	-	-	12,416	12,416
<b>Ending Balance</b>	<b>(2,596)</b>	<b>(5,775)</b>	<b>(138,368)</b>	<b>(146,739)</b>
<b>Prior Period Net Book Value</b>	<b>112,862</b>	<b>-</b>	<b>98,827</b>	<b>211,689</b>
<b>Current Period Net Book Value</b>	<b>302,249</b>	<b>(102)</b>	<b>115,837</b>	<b>417,984</b>

## 13. Information on Intangible Assets

### 13.1. Useful Life or Depreciation Rates Used

It is explained in the footnote numbered XI in the Section 3.

### 13.2. Depreciation Methods Used for Intangible Assets

Intangible assets are depreciated by straight-line depreciation method.



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### 13.3. Movement Table Between the Current and Prior Period

	<b>Intangible Assets</b>
<b>Cost</b>	
Opening Balance	77,824
Movements in the Current Period	32,360
- Additions	33,674
- Disposals (-)	(148)
- Transfers	(1,166)
- Impairment	-
- Value Increase	-
<b>Ending Balance</b>	<b>110,184</b>
<b>Accumulated Depreciation</b>	-
Opening Balance	(40,675)
Movements in the Current Period	(20,344)
- Depreciation Expense (-)	(20,819)
- Value Increase	-
- Disposals	163
- Transfer	312
<b>Ending Balance</b>	<b>(61,019)</b>
<b>Prior Period Net Book Value</b>	<b>37,149</b>
<b>Current Period Net Book Value</b>	<b>49,165</b>

### 14. Information on Investment Property

None (31 December 2013: None).

### 15. Explanations Related to the Deferred Tax Asset

The Group is calculated deferred tax liability amounting to TL 19,129 (31 December 2013: TL 16,731) from the difference between book values of assets and liabilities, and the tax based amounts which are going to be added to the financial profit or loss in the following periods. The Participation Bank net-off calculated deferred tax asset amounting to TL 51,585 (31 December 2013: TL 39,380) and deferred tax liability, and booked deferred tax asset amounting to TL 32,456 in the current period (31 December 2013: TL 22,649).

	<b>Current Period</b>	
	<b>Deferred Tax Base Amount</b>	<b>Deferred Tax Asset/(Liability)</b>
Retirement Pay Provisions	43,117	8,623
Short-Term Employee Benefits	10,634	2,127
Credit Card Promotion Provision	2,042	408
Provision Expense for Law Suits	11,565	2,313
Fair Value Valuation Differences	(84)	(17)
Loan Accrual Differences	(412)	(82)
Fair Value Differences of Derivative Financial Instruments	30,125	6,025
Fixed Asset Depreciation Difference	(58,183)	(11,637)
Revaluation Surplus on Tangible Assets	(30,510)	(6,102)
Rediscounts of Commission	127,991	25,598
Other (net)	25,998	5,200
<b>Deferred Tax Asset (net)</b>	<b>-</b>	<b>32,456</b>

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	Prior Period	
	Deferred Tax Base Amount	Deferred Tax Asset (Liability)
Retirement Pay Provisions	34,060	6,812
Short-Term Employee Benefits	11,597	2,319
Credit Card Promotion Provision	1,880	376
Provision Expense for Law Suits	7,664	1,533
Fair Value Valuation Differences	636	127
Loan Accrual Differences	38	8
Fair Value Differences of Derivative Financial Instruments	(8,165)	(1,633)
Fixed Asset Depreciation Difference	(45,533)	(9,107)
Revaluation Surplus on Tangible Assets	(23,583)	(4,717)
Rediscounts of Commission	104,813	20,963
Other (net)	29,842	5,968
<b>Deferred Tax Asset (net)</b>	<b>-</b>	<b>22,649</b>

Movement of the deferred tax asset is stated as below:

	Current Period	Prior Period
As of January 1	22,649	11,115
Current Period Income/(Expense)	20,778	(2,516)
Effect of the Change in Tax Rate	51	(214)
Deferred Tax Accounted for Under Equity	(11,022)	14,264
<b>Deferred Tax Asset</b>	<b>32,456</b>	<b>22,649</b>

## 16. Information on Assets Held for Sale

As of 31 December 2014, information on assets held for sale is amounting to TL 142 (31 December 2013: TL 67).

## 17. Information on Other Assets

Other assets do not exceed 10% of total assets as of 31 December 2014 and 31 December 2013.

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## II. Explanations Related to the Liabilities of Consolidated Financial Statements

### 1. Information on funds collected

#### 1.1 The Maturity Structure of Funds Collected

Current Period	Demand	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
<b>I. Real Persons Current Accounts-TL</b>	1,030,419	-	-	-	-	-	-	-	<b>1,030,419</b>
<b>II. Real Persons Profit Sharing Accounts-TL</b>	-	1,648,718	4,485,952	92,899	-	135,228	379,835	14	<b>6,742,646</b>
<b>III. Other Current Accounts-TL</b>	1,668,055	-	-	-	-	-	-	-	<b>1,668,055</b>
Public Sector	4,592	-	-	-	-	-	-	-	<b>4,592</b>
Commercial Sector	1,619,656	-	-	-	-	-	-	-	<b>1,619,656</b>
Other Institutions	37,208	-	-	-	-	-	-	-	<b>37,208</b>
Commercial and Other Institutionals	6,007	-	-	-	-	-	-	-	<b>6,007</b>
Banks and Finance Houses	592	-	-	-	-	-	-	-	<b>592</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Domestic Banks	-	-	-	-	-	-	-	-	<b>-</b>
Foreign Banks	562	-	-	-	-	-	-	-	<b>562</b>
Bank	29	-	-	-	-	-	-	-	<b>29</b>
Other	1	-	-	-	-	-	-	-	<b>1</b>
<b>IV. Profit Sharing Accounts-TL</b>	-	371,049	2,335,534	161,371	-	64,879	69,605	-	<b>3,002,438</b>
Public Sector	-	-	1,637	-	-	-	-	-	<b>1,637</b>
Commercial Sector	-	336,298	1,994,823	155,503	-	63,981	65,822	-	<b>2,616,427</b>
Other Institutions	-	34,650	225,675	5,868	-	898	3,783	-	<b>270,874</b>
Commercial and Other Institutionals	-	101	1,010	-	-	-	-	-	<b>1,111</b>
Banks	-	-	112,389	-	-	-	-	-	<b>112,389</b>
<b>V. Real Persons Current Accounts-FC</b>	585,616	-	-	-	-	-	-	-	<b>585,616</b>
<b>VI. Real Persons Profit Sharing Accounts-FC</b>	-	682,259	2,185,551	68,505	-	215,252	181,269	5	<b>3,332,841</b>
<b>VII. Other Current Accounts-FC</b>	734,998	-	-	-	-	-	-	-	<b>734,998</b>
Commercial Residents in Turkey	655,419	-	-	-	-	-	-	-	<b>655,419</b>
Commercial Residents in Abroad	72,718	-	-	-	-	-	-	-	<b>72,718</b>
Banks	6,861	-	-	-	-	-	-	-	<b>6,861</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Domestic Banks	-	-	-	-	-	-	-	-	<b>-</b>
Foreign Banks	1,163	-	-	-	-	-	-	-	<b>1,163</b>
Banks	5,698	-	-	-	-	-	-	-	<b>5,698</b>
Other	-	-	-	-	-	-	-	-	<b>-</b>
<b>VIII. Profit Sharing Accounts Other-FC</b>	-	324,679	979,926	38,484	-	53,253	120,630	-	<b>1,516,972</b>
Public Sector	-	-	-	-	-	-	-	-	<b>-</b>
Commercial Sector	-	247,740	744,658	21,424	-	21,936	39,843	-	<b>1,075,601</b>
Other Institutions	-	4,425	10,384	-	-	208	-	-	<b>15,017</b>
Commercial and Other Institutionals	-	4,488	27,985	17,060	-	31,109	80,787	-	<b>161,429</b>
Banks and Participation Banks	-	68,026	196,899	-	-	-	-	-	<b>264,925</b>
<b>IX. Precious Metal Accounts</b>	278,187	-	6,401	190,740	-	23,050	27	-	<b>498,405</b>
<b>X. Profit Sharing Accounts Special Fund Pools-TL</b>	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Abroad	-	-	-	-	-	-	-	-	<b>-</b>
<b>XI. Profit Sharing Accounts Special Fund Pools-FC</b>	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Turkey	-	-	-	-	-	-	-	-	<b>-</b>
Residents in Abroad	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total (I+II+.....+IX+X+XI)</b>	<b>4,297,275</b>	<b>3,026,705</b>	<b>9,993,364</b>	<b>551,999</b>	<b>-</b>	<b>491,662</b>	<b>751,366</b>	<b>19</b>	<b>19,112,390</b>

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Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
<b>I. Real Persons Current Accounts-TL</b>	894,578	-	-	-	-	-	-	-	894,578
<b>II. Real Persons Profit Sharing Accounts-TL</b>	-	2,489,240	2,401,698	108,147	-	108,118	610,879	-	5,718,082
<b>III. Other Current Accounts-TL</b>	1,229,559	-	-	-	-	-	-	-	1,229,559
Public Sector	4,434	-	-	-	-	-	-	-	4,434
Commercial Sector	1,193,408	-	-	-	-	-	-	-	1,193,408
Other Institutions	31,212	-	-	-	-	-	-	-	31,212
Commercial and Other Institutionals	262	-	-	-	-	-	-	-	262
Banks and Finance Houses	243	-	-	-	-	-	-	-	243
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	221	-	-	-	-	-	-	-	221
Bank	22	-	-	-	-	-	-	-	22
Other	-	-	-	-	-	-	-	-	-
<b>IV. Profit Sharing Accounts-TL</b>	-	415,479	1,212,122	18,973	-	42,125	111,022	-	1,799,721
Public Sector	-	89	38	-	-	-	-	-	127
Commercial Sector	-	357,893	916,802	10,547	-	39,920	106,203	-	1,431,365
Other Institutions	-	57,497	119,290	8,426	-	2,205	4,819	-	192,237
Commercial and Other Institutionals	-	-	1	-	-	-	-	-	1
Banks	-	-	175,991	-	-	-	-	-	175,991
<b>V. Real Persons Current Accounts-FC</b>	373,888	-	-	-	-	-	-	-	373,888
<b>VI. Real Persons Profit Sharing Accounts-FC</b>	-	945,547	902,863	72,182	-	124,642	353,457	-	2,398,691
<b>VII. Other Current Accounts-FC</b>	537,777	-	-	-	-	-	-	-	537,777
Commercial Residents in Turkey	507,193	-	-	-	-	-	-	-	507,193
Commercial Residents in Abroad	18,761	-	-	-	-	-	-	-	18,761
Banks	11,823	-	-	-	-	-	-	-	11,823
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	1,022	-	-	-	-	-	-	-	1,022
Banks	10,801	-	-	-	-	-	-	-	10,801
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Profit Sharing Accounts Other-FC</b>	-	298,526	837,857	203,236	-	71,563	119,196	-	1,530,378
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	157,989	738,973	4,390	-	60,422	56,190	-	1,017,964
Other Institutionals	-	6,245	6,811	75,363	-	149	2,065	-	90,633
Commercial and Other Institutionals	-	2,594	62,695	121,999	-	10,992	60,941	-	259,221
Banks and Participation Banks	-	131,698	29,378	1,484	-	-	-	-	162,560
<b>IX. Precious Metal Accounts</b>	404,567	-	7,212	239,325	-	7,902	-	-	659,006
<b>X. Profit Sharing Accounts Special Fund Pools-TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit Sharing Accounts Special Fund Pools-FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>3,440,369</b>	<b>4,148,792</b>	<b>5,361,752</b>	<b>641,863</b>	<b>-</b>	<b>354,350</b>	<b>1,194,554</b>	<b>-</b>	<b>15,141,680</b>

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### 1.2 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
<b>Real Persons Current and Profit Sharing Accounts that are not Subject to the Commercial Activities</b>	<b>5,917,598</b>	<b>5,172,050</b>	<b>6,183,337</b>	<b>4,794,572</b>
TL Accounts	4,401,276	3,829,189	3,337,737	2,740,294
FC Accounts	1,516,322	1,342,861	2,845,600	2,054,278
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

Guarantee of Deposit Insurance Fund changed insurance amount from TL 50 to TL 100 on the "Regulation On Deposits and Participation Funds Subject to Insurance and Premiums Collected by Savings Deposit Insurance Fund" dated 15 February 2013.

### 1.3. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts held by Shareholders and Their Relatives	-	-
Profit Sharing Accounts and Other Accounts of the Chairman and Board of Directors, Chief Executive Officer, Senior Executive Officers and Their Relatives	61,645	45,898
Profit Sharing Accounts and Other Accounts Held as Assets Subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26/9/2004	-	-
Off Shore banking Regions' Profit Sharing Accounts	-	-

### 1.4. Information on the Current and Profit Sharing Accounts of the Participation Bank with Head Office Abroad, if the Saving Deposits in the Branches of the Parent Participation Bank Located in Turkey are Under the Guarantee of Saving Deposit Insurance in that Country Abroad

The center of the Parent Participation Bank is in Turkey and under the guarantee of Saving Deposits Insurance Fund of Turkey.

### 1.5. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

Total of current and profit sharing accounts which are not under the guarantee of Deposit Insurance Fund is TL 61,645 (31 December 2013: TL 45,898).

## 2. Negative Differences on Derivative Financial Liabilities Held for Trading

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transaction	4,393	3,361	21,646	2,679
Swap Transaction	365	1,363	-	13,981
Future	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,758</b>	<b>4,724</b>	<b>21,646</b>	<b>16,660</b>

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## 3. Information on Borrowings

### 3.1 Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from the Central Bank of Turkey	-	-	-	-
Funds Borrowed from Domestic Banks and Institutions	-	60,005	-	65,047
Funds Borrowed from Foreign Banks, Institutions and Funds	490,399	5,089,693	161,147	3,865,568
<b>Total</b>	<b>490,399</b>	<b>5,149,698</b>	<b>161,147</b>	<b>3,930,615</b>

### 3.2 Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	116,864	3,584,440	-	2,163,459
Medium and Long-Term	373,535	1,565,258	161,147	1,767,156
<b>Total</b>	<b>490,399</b>	<b>5,149,698</b>	<b>161,147</b>	<b>3,930,615</b>

## 4. Information on Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Rent Certificate	202,949	2,868,914	-	1,074,246
<b>Total</b>	<b>202,949</b>	<b>2,868,914</b>	<b>-</b>	<b>1,074,246</b>

## 5. Other Liabilities Exceeding 10% of the Balance Sheet Total and the Breakdown of Such Liabilities Constituting at Least 20% of the Grand Total

Other liabilities do not exceed 10% of total liabilities as of 31 December 2014 and 31 December 2013.

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### 6. Information on Finance Lease Payables (net)

6.1. 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 Participation Bank

None (31 December 2013: None).

6.2. The Explanation on Modifications in Agreements and New Obligations Resulting from such Modifications

None (31 December 2013: None).

### 7. Information on Derivative Financial Liabilities Held for Risk Management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	51,547	-	-
Foreign net investment hedge	-	-	-	-
<b>Total</b>	<b>-</b>	<b>51,547</b>	<b>-</b>	<b>-</b>

### 8. Information on Provisions

#### 8.1. Information on General Provisions

	Current Period	Prior Period
General Provisions	199,612	150,439
Provision for Group 1. Loans and Receivables	155,734	114,838
Profit Sharing Accounts' Share	63,922	49,199
The Bank's Share	91,812	65,639
Other	-	-
Additional provisions for Group 1. loans with extended payment plan	1,728	1,888
Profit Sharing Accounts' Share	656	404
The Bank's Share	1,072	1,484
Other	-	-
Provision for Group 2. Loans and Receivables	25,559	20,225
Profit Sharing Accounts' Share	8,682	7,290
The Bank's Share	16,877	12,935
Other	-	-
Additional provisions for Group 2. loans with extended payment plan	10,455	7,476
Profit Sharing Accounts' Share	3,343	2,644
The Bank's Share	7,112	4,832
Other	-	-
Provision for Non Cash Loans	18,319	15,376
Other	-	-

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## 8.2. Information on Foreign Exchange Losses on the Foreign Currency Indexed Loans and Finance Lease Receivables

Foreign exchange differences on foreign currency indexed loans amounting to TL 35,831 are netted with loans on the asset side as of balance sheet date (31 December 2013: TL 764).

## 8.3. Information on Employee Termination Benefits

The Participation Bank's provision amount for unused vacation is TL 10,634 (31 December 2013: TL 11,597), provision amount for performance premium is TL 24,814 (31 December 2013: TL 24,454) and provision amount for severance indemnities is TL 43,117 (31 December 2013: TL 34,060) as of 31 December 2014.

### Employee Termination Movement Statements

	Current Period	Prior Period
As of 1 January 2014	34,060	15,824
Current Service Cost	4,958	2,317
Profit share cost	2,984	1,127
Actuarial loss <sup>(*)</sup>	3,052	16,702
Accounted profit/loss	333	1,297
Indemnity paid during the period	(2,270)	(3,207)
<b>Total severance obligation</b>	<b>43,117</b>	<b>34,060</b>

<sup>(\*)</sup> Actuarial losses of employee termination benefits amount to TL 19,754 are accounted under other capital reserves net amount to TL 15,803 which is net off deferred tax amount to TL 3,951

## 8.4. Information on Other Provisions

### 8.4.1 Information on Provisions for possible risks

None (31 December 2013: None).

### 8.4.2. Other Provisions Exceeding 10% of Total Provisions and Name, Amount and Breakdown of Such Provisions

	Current Period	Prior Period
Specific Provision for Cheques	6,735	18,647
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	25,929	33,108
Provision for Lawsuits against Participation Bank	11,565	7,664
Provision for Decrease in Value Spot Derivative Transactions	586	834
Provision for Profits will be Allocated to Participation Accounts <sup>(*)</sup>	28,942	27,606
Provision for Credit Cards Promotion Commitments	2,042	1,880
<b>Total</b>	<b>75,799</b>	<b>89,739</b>

<sup>(\*)</sup> According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, the amount is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

## 9. Information on Tax Liability

### 9.1. Explanations Related to Current Tax Liability

#### 9.1.1. Information on Tax Provision

The Participation Bank has corporate tax liability amounting to TL 111,885 (31 December 2013: TL 80,719) and prepaid tax amounting to TL 75,654 (31 December 2013: TL 67,679) as of 31 December 2014. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.



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### 9.1.2. Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	36,231	13,039
Tax on Securities Income	9,974	7,453
Tax on Real Estate Income	843	713
Banking Insurance Transaction Tax	11,899	8,924
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payables	2,383	1,598
Other	7,612	5,312
<b>Total</b>	<b>68,942</b>	<b>37,039</b>

### 9.1.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	2,864	2,193
Social Security Premiums-Employer	3,051	2,363
Bank Pension Fund Premiums- Employees	-	-
Bank Pension Fund Premiums- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employers	-	-
Unemployment Insurance- Employees	205	157
Unemployment Insurance- Employer	409	313
Other	47	52
<b>Total</b>	<b>6,576</b>	<b>5,078</b>

### 9.2. Information on Deferred Tax Liabilities

None (31 December 2013: None).

### 10. Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations

None (31 December 2013: None).

### 11. Information on Subordinated Loans

None (31 December 2013: None).

### 12. Information on Shareholders' Equity

#### 12.1. Presentation of Paid-in Capital

	Current Period	Prior Period
Common Stock	2,600,000	1,775,000
Preferred Stock	-	-

#### 12.2. Paid-in Capital Amount, Explanation as to Whether the Registered Share Capital System is Applicable at Participation Bank if so Amount of Registered Share Capital Ceiling

Registered share capital system is not applied in Participation Bank.

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## 12.2.1. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in Current Period

During the current period Participation Bank increased its capital total amounting to TL 825,000. Total amounting to TL 825,000 consisting of amounting TL 225,000 paid in cash and amounting to TL 600,000 from extraordinary reserve (2013: total amounting to 125,000 paid in cash).

## 12.2.2. Information on Capital Reserves Transferred to the Capital During the Period

During the current period Participation Bank has transferred amounting to TL 600,000 capital reserves to the capital (31 December 2013: None).

No balance has been added to capital reserves from revaluation fund in the current period (31 December 2013: None).

## 12.2.3. Capital Commitments in the Last Fiscal Year and at the end of the Following Interim Period, the General Purpose of These Commitments and Projected Resources Required Meeting These Commitments

None (31 December 2013: None).

## 12.3. Indicators of the Participation Bank's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Participation Bank's Equity Due to the Uncertainty of These Indicators

None (31 December 2013: None).

## 12.4. Information on Preferred Shares

None (31 December 2013: None).

## 12.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Securities Available for Sale	7,431	3,939	(20,836)	(15,959)
Valuation Differences	7,431	3,939	(20,836)	(15,959)
Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>7,431</b>	<b>3,939</b>	<b>(20,836)</b>	<b>(15,959)</b>

## 12.6. Other Information on Shareholders' Equity

By the decision taken in the Participation Bank's General Assembly dated 28 March 2014, the profit of the year 2013 that is amounting to TL 329,277 was transferred to statutory reserves and extraordinary reserves amounting to TL 16,590 and TL 312,687 respectively.

## III. Explanations Related to the Consolidated Off-Balance Sheet Items

### 1. Information on Off-Balance Sheet Liabilities

#### 1.1. Types and Amounts of Irrevocable Loan Commitments

	Current Period	Prior Period
Asset purchase-sale commitments	1,435,707	492,668
Commitments for Subsidiaries and Affiliates	26,616	17,018
Commitments for Check Payments	1,253,169	1,109,434
Tax and Fund Liabilities from Export Commitments	1,678	2,033
Commitments for Credit Card Expenditure Limits	805,524	706,334
Commitments for Credit Cards and Banking Services Promotions	1,253	1,068
Other	38,309	34,205
<b>Total</b>	<b>3,562,256</b>	<b>2,362,760</b>

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### 1.2. Nature and Amount of Irrevocable Loan Commitments

#### 1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantee and Other Letters of Credits

	Current Period	Prior Period
Guarantees	9,230,089	7,726,279
Acceptances	514,122	435,940
Letter of Credits	904,206	741,920
Other guarantees	-	-
<b>Total</b>	<b>10,648,417</b>	<b>8,904,139</b>

#### 1.2.2. Permanent Guarantees, Temporary Guarantees, Suretyships and Similar Transactions

	Current Period	Prior Period
Temporary Guarantee Letters	1,260,248	1,180,089
Permanent Guarantee Letters	4,997,974	4,207,154
Advance Guarantee Letters	430,384	504,690
Guarantee Letters Given to Duties	396,201	359,995
Other Guarantee Letters	2,145,282	1,474,351
<b>Total</b>	<b>9,230,089</b>	<b>7,726,279</b>

#### 1.2.3. Total Non Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	1,227,358	744,686
With maturity of 1 year or less than 1 year	70,804	17,680
With maturity more than 1 year	1,156,554	727,006
Other non cash loans	9,421,059	8,159,453
<b>Total</b>	<b>10,648,417</b>	<b>8,904,139</b>

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### 1.2.4. Information on Sectoral Risk Concentration of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>79,983</b>	<b>1.28</b>	<b>38,796</b>	<b>0.88</b>	<b>79,222</b>	<b>1.47</b>	<b>42,218</b>	<b>1.19</b>
Farming and Stockbreeding	79,876	1.28	38,796	0.88	79,115	1.47	42,218	1.19
Forestry	5	0.00	-	0.00	5	0.00	-	0.00
Fishery	102	0.00	-	0.00	102	0.00	-	0.00
<b>Manufacturing</b>	<b>1,059,920</b>	<b>16.93</b>	<b>2,062,700</b>	<b>47.00</b>	<b>1,056,233</b>	<b>19.69</b>	<b>1,752,349</b>	<b>49.54</b>
Mining	69,077	1.10	81,091	1.85	64,737	1.21	58,974	1.67
Production	855,190	13.66	1,762,299	40.15	828,451	15.44	1,527,181	43.17
Electricity, Gas, Water	135,653	2.17	219,310	5.00	163,045	3.04	166,194	4.70
<b>Construction</b>	<b>2,399,012</b>	<b>38.33</b>	<b>869,400</b>	<b>19.81</b>	<b>2,084,663</b>	<b>38.85</b>	<b>582,435</b>	<b>16.46</b>
<b>Services</b>	<b>2,659,105</b>	<b>42.49</b>	<b>1,400,998</b>	<b>31.91</b>	<b>2,101,092</b>	<b>39.15</b>	<b>1,132,742</b>	<b>32.01</b>
Wholesale and Retail Trade	1,291,568	20.64	778,325	17.73	1,065,310	19.85	638,821	18.06
Hotel, Food and Beverage Services	20,372	0.33	106,597	2.43	21,738	0.41	94,249	2.66
Transportation and Telecommunication	231,033	3.69	323,210	7.36	161,603	3.01	265,141	7.49
Financial Institutions	17,589	0.28	33,240	0.76	14,849	0.28	36,080	1.02
Real Estate and Renting Services	986,423	15.75	151,870	3.46	705,986	13.15	97,287	2.75
"Self-Employment" Type Services	-	0.00	-	0.00	-	0.00	-	0.00
Educational Services	21,630	0.35	107	0.00	27,477	0.51	76	0.00
Health and Social Services	90,490	1.45	7,649	0.17	104,129	1.94	1,088	0.03
<b>Other</b>	<b>60,660</b>	<b>0.97</b>	<b>17,843</b>	<b>0.40</b>	<b>44,973</b>	<b>0.84</b>	<b>28,212</b>	<b>0.80</b>
<b>Total</b>	<b>6,258,680</b>	<b>100.00</b>	<b>4,389,737</b>	<b>100.00</b>	<b>5,366,183</b>	<b>100.00</b>	<b>3,537,956</b>	<b>100.00</b>

### 1.2.5. Information on Ist and IInd Group Non-Cash Loans

	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>6,143,917</b>	<b>4,364,012</b>	<b>114,763</b>	<b>25,725</b>
Letters of Guarantee	6,137,841	2,967,189	114,763	10,296
Endorsements and Acceptances	4,577	509,296	-	249
Letters of Credit	1,499	887,527	-	15,180
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

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## 2. Explanations Related to the Derivative Financial Instruments

	Current Period	Prior Period
<b>Type of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I):</b>	<b>6,766,010</b>	<b>6,758,916</b>
Forward Transactions	1,743,652	3,464,413
Swap Transactions	5,022,358	3,294,503
Futures Transactions	-	-
Option Transactions	-	-
<b>Other Trading Derivative Transactions (II)</b>	<b>611,335</b>	<b>375,937</b>
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>7,377,345</b>	<b>7,134,853</b>

## 3. Explanations Related to the Contingent Liabilities and Assets

None (31 December 2013: None).

## 4. Services rendered on behalf of third parties

None (31 December 2013: None).

## IV. Explanations Related to the Consolidated Income Statement

### 1. Profit Share Income

#### 1.1. Information on Profit Share on Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share on Loans <sup>(1)</sup>	1,868,361	55,184	1,387,011	49,919
Short Term Loans	524,092	15,218	350,690	10,228
Medium and Long Term Loans	1,337,497	39,966	1,027,905	39,691
Profit Share on Non Performing Loans	6,772	-	8,416	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>1,868,361</b>	<b>55,184</b>	<b>1,387,011</b>	<b>49,919</b>

<sup>(1)</sup> Profit Share on Loans includes commission income on cash loans.

#### 1.2. Information on Profit Share on Participation Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	529	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	320	135	302
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>529</b>	<b>320</b>	<b>135</b>	<b>302</b>

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## 1.3. Information on Profit Share on Marketable Securities Portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Financial Assets Available for Sale	83,814	16,222	58,108	8,460
Investments Held to Maturity	36,950	-	-	-
<b>Total</b>	<b>120,764</b>	<b>16,222</b>	<b>58,108</b>	<b>8,460</b>

## 1.4. Information on Profit Share Income Received from Associates and Subsidiaries

None (31 December 2013: None).

## 2. Profit Share Expenses

### 2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	15,201	134,710	6,455	103,730
Central Bank of Turkey	-	-	-	-
Domestic Banks	-	1,592	-	1,281
Foreign Banks <sup>(*)</sup>	15,201	133,118	6,455	102,449
Branches and Head Office Abroad	-	-	-	-
Other Institutions	972	650	-	265
<b>Total</b>	<b>16,173</b>	<b>135,360</b>	<b>6,455</b>	<b>103,995</b>

(\*) Profit Share on Funds Borrowed includes commission expense on cash loans.

### 2.2. Profit Share Expense Given to Associates and Subsidiaries

None (31 December 2013: None).

### 2.3. Information on Profit Share Expense to Marketable Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Information on Profit Share Expense to Marketable Securities Issued	9,961	101,857	0	26,743
<b>Total</b>	<b>9,961</b>	<b>101,857</b>	<b>-</b>	<b>26,743</b>

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### 2.4. Distribution of Profit Share Expense on Funds Collected Based on Maturity of Funds Collected

Account Name	Profit Sharing Accounts					Accumulated Profit Sharing Account	Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>Turkish Lira</b>							
Funds Collected from Banks via Current and Profit Sharing Accounts	102	17,169	1,419	-	-	-	18,690
Real Person's Non Commercial Profit Sharing Acc.	158,916	243,925	7,004	8,773	33,973	-	452,591
Public Sector Profit Sharing Acc.	5	1,962	-	-	-	-	1,967
Commercial Sector Profit Sharing Acc.	23,261	92,524	5,420	5,403	6,334	-	132,942
Other Institutions Profit Sharing Acc.	2,756	18,964	481	86	343	-	22,630
<b>Total</b>	<b>185,040</b>	<b>374,544</b>	<b>14,324</b>	<b>14,262</b>	<b>40,650</b>	<b>-</b>	<b>628,820</b>
<b>Foreign Currency</b>							
Banks	2,032	4,586	-	351	-	-	6,969
Real Person's Non Commercial Profit Sharing Acc.	24,303	36,221	2,096	4,007	7,013	-	73,640
Public Sector Profit Sharing Acc.	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Acc.	6,820	26,795	149	1,597	1,044	-	36,405
Other Institutions Profit Sharing Acc.	301	1,851	1,443	808	1,680	-	6,083
Precious Metal Accounts	-	44	1,499	122	-	-	1,665
<b>Total</b>	<b>33,456</b>	<b>69,497</b>	<b>5,187</b>	<b>6,885</b>	<b>9,737</b>	<b>-</b>	<b>124,762</b>
<b>Grand Total</b>	<b>218,496</b>	<b>444,041</b>	<b>19,511</b>	<b>21,147</b>	<b>50,387</b>	<b>-</b>	<b>753,582</b>

### 3. Information on Dividend Income

None (31 December 2013: None).

### 4. Information on Trading Income/Losses (net)

	Current Period	Previous Period
<b>Income</b>	<b>3,425,869</b>	<b>2,451,529</b>
Trading Account Income	1,782	1,238
Derivative Financial Instruments	566,311	514,178
Foreign Exchange Gains	2,857,776	1,936,113
<b>Losses (-)</b>	<b>(3,400,212)</b>	<b>(2,379,852)</b>
Trading Account Losses	(935)	(37)
Derivative Financial Instruments	(604,937)	(477,068)
Foreign Exchange Losses	(2,794,340)	(1,902,747)

Foreign exchange gains from the exchange rate changes of derivative financial instruments: TL 28,823 (31 December 2013: TL 32,381). TL 21,029 (31 December 2013: TL 29,830) of foreign exchange losses are resulted from the exchange rate changes of derivative financial instruments.

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## 5. Information on Other Operating Income

	Current Period	Previous Period
Communication Expense Charged to Customers	7,237	6,520
Gain on Sale of Assets	11,239	8,081
Checkbook Expenses	9,502	5,188
Reversals Related to Prior Year's Expenses	121,358	69,273
Other	21,865	19,172
<b>Total</b>	<b>171,201</b>	<b>108,234</b>

## 6. Provision Expenses Related To Loans and Other Receivables of the Group

	Current Period	Previous Period
<b>Specific Provisions for Loans and Other Receivables</b>	<b>220,188</b>	<b>154,990</b>
III. Group	40,000	19,490
IV. Group	67,293	66,335
V. Group	107,028	65,067
Doubtful Commission, Fee and Other Receivables	5,867	4,098
<b>General Provision Expenses</b>	<b>49,651</b>	<b>13,349</b>
<b>Provision Expenses for Possible Losses</b>	-	-
<b>Marketable Securities Impairment Losses</b>	-	-
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	-	-
<b>Impairment Provision Expenses</b>	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
<b>Other (*)</b>	<b>29,623</b>	<b>34,411</b>
<b>Total</b>	<b>299,462</b>	<b>202,750</b>

(\*) Other provision expenses amounting to TL 29,623 comprised of specific provision expenses for cheques amounting to TL 2,226, specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 6,374, specific provision expenses allocated to participation accounts amounting to TL 17,122 and provision expenses for law suits amounting to TL 3,901 (31 December 2013: Other provision expenses amounting to TL 34,411 comprised of specific provision expenses for cheques amounting to TL 3,563, specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 12,563, specific provision expenses allocated to participation accounts amounting to TL 15,286 and provision expense for law suits amounting to TL 2,999).



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### 7. Information on Other Operating Expenses

	Current Period	Previous Period
Personnel Expenses	350,426	287,003
Reserve for Employee Termination Benefits	6,005	1,534
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	1,207	-
Depreciation Expenses of Tangible Assets	32,379	25,659
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	20,819	11,738
Impairment Provision for Investments Accounted for Under Equity Method	-	-
Impairment Losses on Assets to be Disposed	811	426
Depreciation Expenses of Assets to be Disposed	940	787
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	191,241	150,668
Operating Lease Expenses	66,886	53,682
Repair and Maintenance Expenses	5,297	4,407
Advertisement Expenses	33,117	23,826
Other Expenses	85,941	68,753
Loss on Sales of Assets	857	212
Other	116,117	88,976
<b>Total</b>	<b>720,802</b>	<b>567,003</b>

### 8. Explanations Related to the Profit/Loss Before Taxes Including Profit/Loss from Discontinued Operations

The Participation Bank's profit before taxes realized at TL 425,534 increasing by 3.16% comparing to the prior year. The profit before taxes includes a net profit share income of TL 1,100,343 a net fees and commission income of TL 148,597. Operating expenses are amounted to TL 720,802

### 9. Information on Provision for Taxes

The Group tax reconciliation is listed below:

	Current Period	Prior Period
	-	-
Profit Before Tax	425,534	412,512
Corporate Tax Ratio	% 20	% 20
Calculated Tax	85,107	82,502
	-	-
Deductions	(55,490)	(45,205)
Other	61,490	45,938
	-	-
<b>Income Tax Expense</b>	<b>91,107</b>	<b>83,235</b>

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## 10. Explanations Related to the Net Profit/Loss Including Profit/Loss From Discontinued Operations

Net period profit is TL 334,427 (31 December 2013: TL 329,277).

## 11. Explanation on Net Period Profit/Loss

11.1 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 Group's Performance for the Period

Profit share income on regular banking operations is TL 2,172,475 and profit share expenses are TL 1,072,132 (31 December 2013: profit share income; TL 1,566,233 profit share expenses: TL 692,151).

11.2 Effect of Changes in Accounting Estimates on Income Statement for the Current and, If Any, for Subsequent Periods

None (31 December 2013: None).

## 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 are shown below

Other Fees and Commissions Received	Current Period	Prior Period
Commissions of Letters of Credit on Imports	508	599
Commission of Collection Note/Check	3,147	2,573
Commissions on Remittance	9,471	8,015
Insurance Commissions	17,952	11,290
Credit Letter Commissions	2,688	1,973
Expert Fees	21,464	14,635
Credit Card Fees and Commissions	30,837	16,606
Commissions on Member Firm -POS	19,022	13,362
Cash Import Commissions	3,326	3,840
Other Commissions and Fees	31,101	21,691
<b>Total</b>	<b>139,516</b>	<b>94,584</b>
Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	38,536	16,282
7/24 Card Domestic ATM Commission Given	1,376	1,047
Credit Card Service and Usage Expense	4,886	3,546
Commissions and Fees Given for Remittance	1,039	1,705
Other Commissions and Fees	38,658	26,860
<b>Total</b>	<b>84,495</b>	<b>49,440</b>

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## V. Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement

### 1. Information on Any Increases Arising from Application of Accounting for Financial Instruments in the Current Period

#### 1.1 Increases from Valuation of Financial Assets Available-for-Sale

In current period, increases from valuation of financial assets available for sale is amounting to TL 48,165 (31 December 2013: None).

#### 1.2 Increases Due to Cash Flow Hedges

None (31 December 2013: None).

#### 1.3 Increases Due to the Revaluation of Tangible Fixed Assets

In current period, increases due to the revaluation of tangible fixed assets is amounting to TL 26,327 (31 December 2013: None).

### 2. Information on Any Decreases Arising from Application of Accounting for Financial Instruments in the Current Period

#### 2.1. Decreases from Valuation of Financial Assets Available-for-Sale

None (31 December 2013: TL 43,696).

#### 2.2. Decreases Due to Cash Flow Hedges

In current period, decreases due to cash flow hedges is amounting to TL 3,668 TL (31 December 2013: None).

### 3. Information on Dividend

#### 3.1. Dividends Declared Subsequent to the Balance Sheet Date, but Before the Announcement of the Financial Statements

None.

#### 3.2. Dividends per Share Proposed Subsequent to the Balance Sheet Date

None.

### 4. Amounts Transferred to Legal Reserves

In 2014, the amount transferred to legal reserves is TL 16,590 and amount transferred to extraordinary reserves TL 312,687 (31 December 2013: to the legal reserves is TL 14,153 to the extraordinary reserves is TL 269,420).

### 5. Information on Shares Issued

#### 5.1. For All Capital Share Classes of the Participation Bank; Rights, Priorities and Restrictions about This Item Including Distribution of Dividend and Restrictions related to Repayment of Capital

None (31 December 2013: None).

#### 5.2. Explanations Related to Other Capital Increase Items in the Statements of Shareholders' Equity Movement

None.

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## VI. Explanations Related to Statement of Consolidated Cash Flows

### 1. Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The “other” item amounting to a loss of TL 513,168 under operating profit before changes in operating assets and liabilities composes of fees and commissions paid, other operating expenses excluding employee costs and depreciation expense, provision expense (31 December 2013: TL 526,679 loss).

The “net increase in other liabilities” amounting to TL 111,405 under the changes in operating assets and liabilities is resulted from the changes in the miscellaneous payables and other external funding payables (31 December 2013: TL 626,486).

As of 31 December 2014, the effect of change in the exchange rate on cash and cash equivalents calculated a gain of TL 202,141 (31 December 2013: TL 477,828 gain).

### 2. Cash outflows from Acquisition of Associates, Subsidiaries and Joint-ventures

TFKB Varlık Kiralama AŞ which is wholly owned by the Participation Bank has been established with TL 50 capital at 8 July 2014. (31 December 2013: TF Varlık Kiralama AŞ which is wholly owned by the Participation Bank has been established with TL 50 capital at 11 February 2013).

### 3. Cash Inflows from Acquisition of Associates, Subsidiaries and Joint-ventures

None (31 December 2013: None).

### 4. Information on Cash and Cash Equivalents at Beginning and End of Periods

	Current Period	Prior Period
Cash	2,393,049	924,398
Cash in TL and Foreign Currency	213,091	149,645
Central Bank of Turkey	2,179,775	774,741
Other	183	12
Cash Equivalents	572,606	954,203
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	572,606	954,203
<b>Total Cash and Cash Equivalents</b>	<b>2,965,655</b>	<b>1,878,601</b>

### 5. Restricted Cash and Cash Equivalents of the Participation Bank Due to Legal Requirements or Other Reasons

The placements at Central Bank of Turkey include blocked accounts with a total principal balance of TL 2,749,896 (31 December 2013: TL 2,906,723) which is kept as reserve deposits for foreign currency liabilities.

### 6. Additional Information on Financial Position and Liquidity

#### 6.1. Restrictions on the Participation Bank’s potential borrowings

None (31 December 2013: None).

#### 6.2. Cash inflows presenting increase in operating capacity of the Participation Bank

The Participation Bank daily follows the cash transactions for banking activities continuance and the cash flow represents the increase in the banking activities is analyzed under this conditions.

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## VII. Explanations on the Risk Group of the Parent Participation Bank

### 1. Information on the volume of transactions relating to the Parent Participation Bank's risk group, incomplete loan and funds collected transactions and period's profit and loss

#### 1.1. Information on loans and other receivables of the Parent Participation Bank's risk group

Current Period

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
<b>Loans and Others Receivables</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	106	33,432	202,554	100,277
Balance at the end of the period <sup>(*)</sup>	-	-	117	24,475	99,128	86,904
<b>Profit Share and Commission Income</b>	-	-	<b>5,286</b>	-	<b>29,875</b>	<b>554</b>

(\*) Lease receivables from the Parent Participation Bank's risk group are included in cash balances amounting to TL 8,760.

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
<b>Loans and Others Receivables</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	116	74,318	85,459	89,573
Balance at the end of the period <sup>(*)</sup>	-	-	106	33,432	202,554	100,277
<b>Profit Share and Commission Income</b>	-	-	<b>422</b>	<b>7</b>	<b>49,747</b>	<b>579</b>

(\*) Lease receivables from the Parent Participation Bank's risk group are included in cash balances amounting to TL 19,289.

#### 1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Parent Participation Bank

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and Profit Sharing Accounts</b>						
Balance at the beginning of the period	-	-	220,461	197,213	97,125	126,926
Balance at the end of the period	-	-	287,685	220,461	197,775	97,125
<b>Profit Share Expenses <sup>(*)</sup></b>	-	-	<b>8,166</b>	<b>12,397</b>	<b>3,451</b>	<b>5,296</b>

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## 1.3. Forward Transactions, Option Contracts and Other Similar Contracts Made With the Parent Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Transactions at fair value through profit/loss</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	9,032
Balance at the end of the period	-	-	-	-	37,623	-
Total Profit/Loss	-	-	-	-	(66)	3
<b>Derivative Instruments Held for Risk Management</b>	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

## 1.4. Funds Borrowed from the Parent Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Loans Received</b>						
Balance at the Beginning of the period	-	-	1,114,834	935,865	-	-
Balance at the End of the period	-	-	1,205,341	1,114,834	-	-
<b>Profit Share and Commission Expense <sup>(*)</sup></b>	-	-	<b>44,715</b>	<b>37,320</b>	-	-

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### VIII. Explanations on the Participation Bank's Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies

#### 1. Explanations on the Participation Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

	Number	Employee (*)		Total Assets	Capital
Domestic Branches	280	2,919			
	-	-	Country		
Rep-Office Abroad	-	-	1-		
	-	-	2-		
	-	-			
Branches Abroad	-	-	1-		
	-	-	2-		
Off-Shore Branches	-	-	1-		
	-	-	2-		

(\*) Employees number consists of branch employees. As of 31 December 2014, 1,559 employees work at the head office.

#### 2. Explanations on Branch and Agency Openings or Closings of the Participation Bank

In 2014, Participation Bank opened 30 new domestic branches.

### IX. Explanations Related to Subsequent Events

#### 1. Transactions Not Finalized Yet Related to Subsequent Events and Their Impact on Consolidated Financial Statements

None

#### 2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users

None.

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## SECTION SIX

### OTHER EXPLANATIONS

#### I. Other Explanations Related to Participation Bank's Operations

Summary information of the Participation Bank related to rating given by international rating agencies:

<b>Foreign Currency</b>	
Long Term	BBB
Short Term	F3
View	Stable
<b>Turkish Lira</b>	
Long Term	BBB+
Short Term	F2
View	Stable
<b>National</b>	
Long Term	AAA(tur)
Financial Capacity Note	bb-
Stand By Note	2
View	Stable

Information obtained from Fitch Ratings Report published at 3 December 2014.



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## SECTION SEVEN

### INDEPENDENT AUDITOR'S REPORT

#### I. Explanations on the Independent Auditor's Report

The consolidated financial statements of the Participation Bank as of and for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 13 February 2015 is presented in the introduction of this report. It was noted in their report that the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Finans Katılım Bankası AŞ as of 31 December 2014 and the result of its operations.

#### II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.