

Think
Big
to get ahead

Turkey's Finance

Türkiye Finans



2014 Annual Report



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Contact Details

Türkiye Finans Katılım Bankası A.Ş.

Reporting Period	01.01.2014 - 31.12.2014
Corporate Title	Türkiye Finans Katılım Bankası Anonim Şirketi
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SWIFT Code	AFKBTRIS
Trade Register No	401492 İstanbul Trade Register Directorate



Türkiye Finans aims to enhance communication and motivation with the universal language of art, with its photography contest held among workers and has now taken place for 4 years, already becoming something of a tradition.

We believe we will enhance communication within the Türkiye Finans family with more common sharing by using winning photographs from the contest in our 2014 annual report.

Cover Photography: Sinem Şavkın

1. Mehmet Paktas



2. Fatih Soydemir



3. Ferudun Bakırcı



Two “firsts” from Türkiye Finans in sukuk issuance

Türkiye Finans, which leads the Participation Banking sector, sustained its leading position in the sector by realizing two “firsts” in its sukuk issuance. Türkiye Finans was the first Turkish institution to issue sukuk amounting to MYR (Malaysian Ringgit) 800 million with a 5 year maturity. In addition, Türkiye Finans conducted the largest MYR sukuk issuance performed by a foreign institution.

The 3 billion Malaysian Ringgit issuance program, which was established by TF Asset Leasing, a 100% subsidiary of Türkiye Finans, was managed by HSBC and Standard Chartered Bank.

Continuing to exceed targets for growth

Starting from the benchmark of providing a flawless customer experience, Türkiye Finans successfully conducted the Customer Experience and Multichannel Strategy Project which was started in 2013.

Türkiye Finans has been moving forward in its sustainable growth. In 2014, the Company opened 30 branches, exceeding the target it set out for itself for the number of new branch openings. By the year-end, Türkiye Finans had a network of 280 branches, a strong indicator of the Company’s determination in customer access and providing wide service.

Award to Türkiye Finans from the Global Banking & Finance Review

The Global Banking & Finance Review, one of the world’s leading economy publications, rewarded Türkiye Finance, Turkey’s leading participation bank, in 4 different categories as in the previous year.

Türkiye Finans received following awards: “Turkey’s Fastest Growing Commercial Bank”, “Turkey’s Fastest Growing SME Bank”, “Turkey’s Fastest Growing Retail Bank” and “Turkey’s Best Common Brand Credit Card”.

USD 350 million syndication loan extended to Türkiye Finans

Türkiye Finans obtained a Murabaha Syndicated Loan amounting to USD 350 million, USD 235 million of which being USD denominated and EUR 72 million being euro denominated. It was conducted in January 2014. The loan has a 1 year maturity. A total of 21 banks from 12 countries participated in the loan. The co-leaders of this syndicated loan were ABC Islamic Bank (E.C.), Abu Dhabi Commercial Bank PJSC, Emirates NBD Bank PJSC, Noor Islamic Bank PJSC and Standard Chartered Bank.

Among the first Turkish deposit and participation banks to be awarded a grade A+ for its Sustainability Report

Türkiye Finans’ first sustainability report was awarded grade A+ approval from the Global Reporting Initiative (GRI). Türkiye Finans’ 2013 Sustainability Report was the first and only report to be graded A+ by the GRI among Turkish banks which have right to collect deposits.

The theme in Türkiye Finans’ and Participation Banking sector’s first Sustainability Report was the Kırkpınar Oil Wrestling Tournament, which is a Corporate Social Responsibility (CSR) project. Türkiye Finans took on an important role in the social and cultural axes of sustainability with the support that it extended to the Historical Kırkpınar Oil Wrestling Tournament. Moreover, the Edirne and Kırkpınar oil wrestling were captured in miniature art, a Classical Turkish art form.

We are recording a strong growth story in participation banking.

We believe that it needs to think big to get ahead. We are exceeding our targets in our organic growth. We are working to cover all of Turkey with our services.

We are enhancing our leading position in participation banking with our competitive advantages in the axes of innovation, user-friendly technology and accessibility. We are aiming to increase customer experience to the highest point.





280

Türkiye Finans opened 30 branches in 2014 exceeding its organic growth targets, bringing its network to 280 branches.

2,600

Türkiye Finans increased its capital to TL 2,600 million in 2014, placing the Bank as the strongest player among participation banks in terms of capital. In the banking sector, Türkiye Finans' ranking increased to 7th place on the basis of its paid-in capital.

Türkiye Finans in Brief

As a joint venture between The National Commercial Bank (Saudi Arabia), the Boydak Group and the Ülker Group, Türkiye Finans is a leading institution that transforms its deeply rooted know-how and experience into “growth reflex” with its determination to leave a mark on the future of our country’s participation banking and with its vision.

Türkiye Finans was established in 2005 with the merger between “Anadolu Finans”, which was founded in 1991 with 100% domestic funds, and “Family Finans”, which operated in participation banking between 1985 and 2001 under the name of “Faisal Finans Kurumu”.

In 2005, the Boydak Group and the Ülker Group combined these two participation banks under a single roof. This union of strengths was undertaken in order to generate more value for Turkey and to bolster the competitive advantages of both entities.

The merger between Anadolu Finans and Family Finans was approved by the Banking Regulation and Supervision Agency (BRSA) on 28 December 2005. The name of the bank was changed to Türkiye Finans Katılım Bankası A.Ş. on 30 December 2005.

This merger brought a new growth momentum into participation banking

The Bank, which had a new and strong corporate identity following the merger, brought a new breath of fresh air to participation banking, whose target audience has been growing steadily.

A new period of tremendous change and transformation at Türkiye Finans began on 31 March 2008 when the National Commercial Bank (NCB) acquired a 60% stake in the Company. By bringing together the strengths of the Boydak and the Ülker groups, two of Turkey’s leading industrial conglomerates, with those of the Middle East’s most deeply-capitalized bank, the capital structure and vision of this partnership resulted in its emergence as a leading player in the business of participation banking.

Proving its strength at the outset of 2015

Türkiye Finans has laid out a five-year plan under which it has redefined its goals and growth roadmap. As called for in that plan, the bank is currently undertaking a variety of projects with a customer oriented approach and carrying out important progress aimed at further developing its technological infrastructure, business processes and service approach.

Starting from the benchmark of providing a flawless customer experience, Türkiye Finans launched a new initiative entitled the “Customer Experience and Multichannel Strategy Project” in 2014 in order to implement a series of modifications and improvements in its business making styles and processes. During this new period, the Bank set out a path for stronger growth with its experience, technological capability and vision.

At the end of 2014, Türkiye Finans commanded a strong service platform of 4,478 employees in 280 branches supported by effective alternative delivery channels. With this platform, the Bank offers an array of innovative products, services and solutions of high added value to a broad customer mass in the commercial/ corporate banking, enterprise banking and retail/personal banking segments.

Our Vision, Our Mission, Our Corporate Values

Our Vision

To be recognized as the premier source of principles-based banking and investment for individuals and business owners in Turkey.

Our Mission

In line with the principles of Participation Banking, our mission is to foster value-creation rather than consumption and to share the value that is generated from these activities with our owners of the participation fund, our Employees and our Shareholders in a fair and transparent way. We believe in the Service Value Creation Chain whereby value is the outcome of effective employee interactions with our customers, where we are providing the right products and services, when and where the customer wants it, in the right way all the time. We also believe that, as our reputation is our most important asset, it is also the hardest to replace.

Our Corporate Values

Productive Sharing

We share in order to be productive; and the more that we share, the more productive we are.

Customer-Focused Service

We supply products and services that satisfy our customers' expectations, whenever and wherever they need them.

Satisfaction

We give importance to the satisfaction of our customers, our employees, our shareholders, and our community.

Superior Service Quality

We constantly improve our service quality by paying heed to our employees' and customers' suggestions.

Contributing to the National Economy

We marshal our resources so as to contribute to the development of the national economy. We support local development by preferentially lending such resources back to the places where we have gathered them.

Constant Renewal

We keep a close watch in developments taking place in Turkey and around the world. We provide our employees with current technological and informational support.

Respect for Shared Values

We are respectful of society's shared values in the conduct of all of our activities.

Strategic Priorities and Main Initiatives for 2014

Our Bank's corporate strategy is gathered under the roof of ethical banking. The following points are included in our strategy in which we aim to increase revenues and efficiency: excelling in areas where the Bank is strong, the development of new products and services, to increase the number of branches, and the diversification of financial resources.

Our Bank has determined its roadmap, which sets out to increase sustainable growth and customer satisfaction, within the context of the 6 main strategic priorities mentioned below:

Increasing the market share of funds collected, realizing growth in funds supplied to customers especially in the retail and entrepreneur segments

Developing new products; developing infrastructure required for supporting product, sales and credit tools in line with customers' needs; improving sales capabilities

Expanding the branch and ATM network, improving channel competency

Increasing efficiency

Restructuring of the banking system infrastructure in a manner that it supports multi-channel banking and provides a flawless integrated customer experience within the scope of a 3-year program

Enhancing the customer experience, which is shaped by the sales-service model, processes and sales channels

Türkiye Finans Milestones

2005

- Founded upon merger of Family Finans and Anadolu Finans with a paid-up capital of 250 million TL, Türkiye Finans began operating on December 30, 2005, with a network of 108 branches.

2006

- Increased the number of branches to 122.
- Increased the paid-up capital to TL 279 million.

2007

- Launched commercial credit cards (“**Business Card**” and “**Ticari Kart**”) targeting corporate and commercial customers, to the use of the business world.
- Launched **GPRS POS** product, offering Mobile POS service to cabs.
- Increased the number of branches to 137.
- Increased the paid-up capital to TL 292 million.

2008

- National Commercial Bank (NBC), the bank with the largest capital in Saudi Arabia and across the Middle East, acquired 60% of Türkiye Finans and became the bank’s controlling shareholder.
- Launched **SMS Banking** service with electronic signature.
- Increased the number of branches to 178.
- Increased the paid-up capital to TL 800 million.

2010

- Launched “**Organik BES**”, Turkey’s first interest-free Individual Pension Scheme (IPS).

2011

- Secured the then-largest murabaha syndicated loan, worth of USD 300 million.
- Received BBB in foreign currency credit rating from the international credit rating agency Fitch, becoming one of the top five Turkish banks with the highest credit rating.
- Increased the number of branches to 182.

2012

- Overhauled its corporate identity and chose Turkey’s trademark color turquoise as its corporate color to emphasize its stance as the more accessible, active, sincere and innovative bank.
- Secured the then-largest murabaha syndicated loan, worth of USD 350 million.
- Launched “Finansör”, the first of its kind in participation banking that provides consumer financing in card form.
- Launched the new range of housing finance products: “**Çilingir Mortgage**”.
- Sponsored the **Anatolian Brands Competition** to spread the awareness for branding across Anatolia.
- Increased the number of branches to 220.
- Increased the paid-up capital to TL 1,650 million.

Türkiye Finans’s first Sustainability Report became the first and only report among Turkish deposit and participation banks to be rated A+ by the Global Reporting Initiative (GRI).

2013

- Launched the card fee-free credit card **Happy Zero** and the Turkey's first mother-tailored credit card **Happy Anne**.
- Launched **Haremeyn Card**, offering privileges in hajj and umrah visits, and **Haremeyn Şua card**, showing the quibla on the compass it features.
- Launched **Siftah Card**, offering SME customers the option of installment purchase over cash payment price, and **Faal Card**, targeting tradesmen and businesses.
- Launched “**Akıllı Hesap**”, the time deposit product offering lucrative profit shares and other advantages.
- Secured the then-largest murabaha syndicated loan of the participation banking scene, worth of USD 500 million.
- Sponsored the exhibition “**Dialogue in the Dark**”, visited by more than 7 million people across 130 cities.
- Undertook the commitment to support The **Historic Kırkpınar Oil Wrestling Tournament**, added to the List of UNESCO Intangible World Cultural Heritage, for 3 years.
- Overhauled Türkiye Finans **Mobile Branch** with a new, user-friendly interface.
- Increased the number of branches to 250.
- Increased the paid-up capital to TL 1,775 million.

2014

- Türkiye Finans's first **Sustainability Report** became the first and only report among Turkish deposit and participation banks to be rated A+ by the Global Reporting Initiative (GRI).
- Mobile Branch app updated to expand to Windows Phone users.
- Secured a murabaha syndicated loan worth of USD 350 million, arranged by 21 banks from 12 countries.
- Issued the first sukuk in Malaysian Ringgit, worth of MYR 800 million. Said issuance stands as the largest sukuk issued by a foreign institution in Malaysian Ringgit.
- Türkiye Finans Customer Contact Center began to offer services in English and then in Arabic, thus capable of telephone banking service in 3 languages.
- Increased the number of branches to 280.
- Increased the paid-up capital to TL 2,600 million.

Mobile Branch app updated to expand to Windows Phone users.

Awards and Recognitions

2005

- Ekovitrin Stars of the Year: "Participation Bank of the Year"

2006

- Citibank: "Quality Recognition Award"
- The Bank of New York: "Quality Recognition Award"
- Standard Chartered Bank: "Certificate of Success in Completing USD Transfers"

2007

- Islamic Finance News: "Best Islamic Bank in Turkey"
- Citibank: "Quality Recognition Award"
- Standard Chartered Bank: "Certificate of Success in Completing USD Transfers"
- Kariyer.net: "Respect for People Award"
- Eureko Sigorta: "Most Productive Financial Services Agency in Turkey"i"

2008

- Citibank: "Quality Recognition Award"
- The Bank of New York: "Quality Recognition Award"
- Global Banking and Finance Magazine: "Best Islamic Bank in Turkey"
- Eureko Sigorta: "Most Productive Financial Services Agency in Turkey"

2009

- Islamic Finance News: "Best Islamic Bank in Turkey"
- Deutsche Bank: "Excellence in End-to-End Services"
- TAÇED (Association of All Anatolian Employees and Retirees): "Bank of the Year"

2010

- Global Banking and Finance Magazine: "Best Islamic Bank in Turkey"
- Ekovitrin Stars of the Year: "Participation Bank of the Year"
- Interactive Media Council Awards: Happy Card Website - "Outstanding Achievement Award"
- Citibank: "Quality Recognition Award"
- Deutsche Bank: "Excellence in End-to-End Services"
- Eureko Sigorta: "High-Performing Financial Services Agency in Turkey"

2011

- Kariyer.net: "Respect for People Award"
- Interactive Media Council Awards: Türkiye Finans Website - "Outstanding Achievement Award"
- Global Banking and Finance Magazine: "Best Islamic Bank in Turkey"
- Financial Crimes Investigation Board (MASAK): "Best in Turkish Banking Sector in Evaluation of Anti-Money Laundering and Combating the Financing of Terrorism"
- Western Union: "Most Successful Use of Campaigns in Turkey"
- Microsoft Most Valuable Professionals (MVP) Awards 2011: "Microsoft Active Directory and "Microsoft Forefront" Awards"

2012

- Kariyer.net: "Respect for People Award"
- Islamic Finance News: "Best Islamic Bank in Turkey"
- Creativity Awards: Türkiye Finans 2011 Annual Report - "Silver Medal"

Türkiye Finans has been nationally and internationally recognized, since its inception, in a number of categories by reputable institutions and organizations.

2013

- World Finance Awards (London): “Best Islamic Bank in Turkey”
- Islamic Finance News Awards: “Best Islamic Bank in Turkey”
- Global Banking and Finance Review 2013:
 - “Best Co-Branded Credit Card of Turkey”
 - “Fastest Growing Retail Bank of Turkey”
 - “Fastest Growing Commercial Bank of Turkey”
 - “Fastest Growing SME Bank of Turkey”
- Ekovitrin Stars of the Year: “Participation Bank of the Year”
- Uptime Institute: “TIER III Design” and “TIER III Constructed Facility” Certificates
- First Turkish Bank receiving these certificates, with the new Datacenter)
- IMI Conferences 8th Call Center Awards:
 - “Best Call Center in Turkey under 500 Seats”
 - “Best Praiseworthy Team Leader” Award: Eda Dikici (Customer Contact Center)
- Kariyer.net: “Respect for People Award”
- TİDE (Turkish Internal Audit Institute) Internal Audit Awareness Awards: “Corporate Awareness Award”
- Association of Call Centers: “EN15838:2009 Service Certificate for Customer Contact Centers”
- Bureau Veritas: “ISO 10002:2004 Certificate of Quality for Customer Satisfaction Management System”
- LACP (League of American Communications Professional) 2012 Vision Awards: “2012 Annual Report - Banking Category Bronze Award”
- CIO 2013 CIO Awards: Türkiye Finans Chief Information Officer Fahri Öbek – “CIO Award”
- Pozitron Insights: “Most Popular Mobile Banking Application in Turkey”
- BSI-British Standards Institute ISO22301 Business Continuity Certificate: The first Turkish bank to be eligible for this certificate.

2014

- Şikayetindex Participation Banks Report 2013: “Best Complaint Handling Participation Bank of the Year”
- MasterCard Awards: “Fastest Growing Bank”
- World Finance Awards (London): “Best Islamic Bank in Turkey”
- Global Banking and Finance Review 2014:
 - “Fastest Growing Commercial Bank of Turkey”
 - “Fastest Growing SME Bank of Turkey”
 - “Fastest Growing Retail Bank of Turkey”
 - “Best Co-Branded Credit Card of Turkey”

LACP /2013 Vision Awards:

- “2013 Annual Report –Gold Award and Best Annual Report in Commercial Bank Annual Reports category”
- “2013 Annual Report - Bronze Award in Presentation of Financial Information”
- “2013 Annual Report – One of the Best 20 Annual Reports in Turkey”
- “2013 Annual Report – One of the World’s Best 100 Annual Reports (88th)”
- “2013 Annual Report – One of the Best 80 Annual Reports in Europe, Central Asia and Africa Region (30th)”
- “2013 Interactive (Web) Annual Report – Gold Award in Annual Reports / Overall”

- Microsoft Most Valuable Professionals (MVP) Awards 2013-2014: “Directory Services” - Hakan Uzuner (Information Systems)
- CIO 2014 CIO Awards: Türkiye Finans Chief Information Officer Fahri Öbek – “CIO Award”

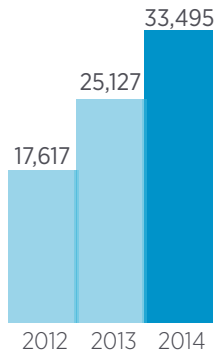
Summary Financial Information

(TL thousand)	2014	2013	Change (%)
Assets	33,494,790	25,126,629	33.30
Cash and Banks	5,729,230	4,790,457	19.60
Securities	2,544,554	1,413,025	80.08
Loans	23,056,422	17,447,961	32.14
Receivables from Leases	1,235,541	841,649	46.80
Fixed Assets (Net)	466,741	248,838	87.57
Other Assets	462,302	384,699	20.17
Liabilities	33,494,790	25,126,629	33.30
Funds Collected	19,112,760	15,141,718	26.23
-Special Current Accounts	4,297,645	3,440,407	24.92
-Participation Accounts	14,815,115	11,701,311	26.61
Loans Received	8,569,415	5,166,009	65.88
Shareholders' Equity	3,153,847	2,522,381	25.03
Paid-up Capital	2,600,000	1,775,000	46.48
Other Liabilities	2,658,768	2,296,521	15.77
Non-Cash Loans	10,648,417	8,904,139	19.59
Income and Expense Accounts			
Profit Share Income	2,169,968	1,566,233	38.55
Profit Share Expenses	-1,072,136	-692,150	54.90
Net Profit Share Income	1,097,832	874,083	25.60
Net Fee and Commission Income	148,598	128,272	15.85
Other Non-Profit Income	196,858	179,911	9.42
Non-Profit Share Expenses	-1,018,003	-769,754	32.25
Profit Before Tax	425,285	412,512	
Provision for Taxes	-91,057	-83,235	
Net Period Profit	334,228	329,277	
Key Ratios (%)			
Capital Adequacy Ratio	12.47	12.81	
Return on Equity (Annual)	11.78	14.17	
Loans / Total Assets	72.52	72.79	
Current Accounts / Funds Collected	22.49	22.72	
Non-Performing Loans (Gross) / Loans	2.46	2.41	
Other			
Total Number of Branches	280	250	12.00
Total Number of Personnel	4,478	3,990	12.23

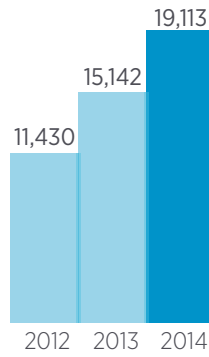
33.3%

Türkiye Finans' total assets increased by 33.3% when compared to 2013 to reach TL 33.5 billion.

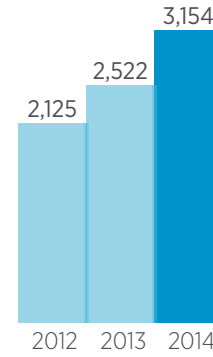
Total Assets
(TL million)



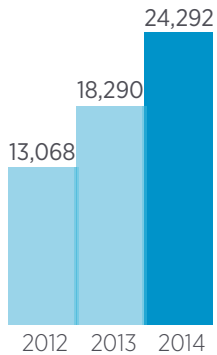
Funds Collected
(TL million)



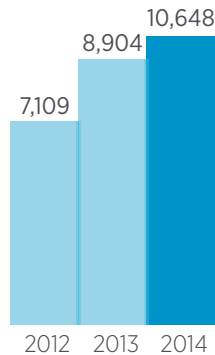
Shareholders' Equity
(TL million)



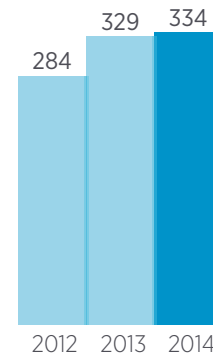
Total Loans
(TL million - including leasing)



Non-Cash Loans
(TL million)



Net Profit
(TL million)



26.2%

Funds collected grew by 26.2% to TL 19.1 billion.

32.8%

The total volume of loans, including financial leasing, extended to customers increased by 32.8% YoY in 2014 to reach TL 24.3 billion.

Amendments to the Articles of Association

Due to the capital increase decision taken at the Extraordinary General Meeting held on 29 August 2014, the Article 7 related to the capital in our Bank's articles of association was amended.

CAPITAL (OLD TEXT) ARTICLE 7	CAPITAL (NEW TEXT) ARTICLE 7
<p>Capital of the company is TL 1.775.000.000.00- (One billion seven hundred and seventy-five million Turkish Liras) divided into 1.775.000.000.00 (One billion seven hundred and seventy-five million) shares each with the nominal value of TL 1.00- (one Turkish Lira).</p> <p>The previous capital of the company is fully subscribed and paid up. Board of Directors is authorized to exclude a shareholder, who is in default due to his called-up debts, from his rights arising from his undertaking as well as the partial payment he has done in this respect, accept another partner in place of him and cancel the shares given to him, if any. Board of Directors shall be authorized to apply Articles 482 and 483 of Turkish Commercial Code in case shareholders go into default on fulfilling their obligations in the payment of committed capital.</p>	<p>Capital of the company is TL 2.600.000.000 (Two billion and six hundred million Turkish Lira) divided into 2.600.000.000 (Two billion and six hundred million) shares each with the nominal value of TL 1 (One Turkish Lira).</p> <p>The previous capital of the Company has been fully subscribed and paid by the Company shareholders.</p> <p>A portion TL 225.000.000 (two hundred and twenty-five million Turkish Lira) of the capital increase of TL 825.000.000. (Eight hundred and twenty-five million Turkish Lira) has been fully subscribed in cash; a portion of TL 600.000.000-(Six hundred million Turkish Lira) will be financed gratuitously by the addition of the reserve fund set aside in accordance with the General Assembly resolution to the share capital. A portion of TL 100.000.000 (One hundred million Turkish Lira) of the cash subscription amounting to TL 225.000.000- (Two hundred and twenty-five million Turkish Lira) will be paid before the registration of the capital increase and remaining portion of the cash subscription amounting to TL 125.000.000 (One hundred and twenty-five million Turkish Lira) will be paid at the latest on 31.10.2014 in accordance with the procedure and schedule to be determined by the general assembly and the Board of Directors.</p> <p>Board of Directors is authorized to exclude a shareholder, who is in default due to his called-up debts, from his rights arising from his undertaking as well as the partial payment he has done in this respect, accept another partner in place of him and cancel the shares given to him, if any. Board of Directors shall be authorized to apply Articles 482 and 483 of Turkish Commercial Code in case shareholders go into default on fulfilling their obligations in the payment of committed capital.</p>

Capital and Shareholder Structure

Capital and Shareholder Structure (*)

Shareholder	Share Amount (TL thousand)	Share Ratio (%)
NATIONAL COMMERCIAL BANK	1,742,676	67.03
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. (ÜLKER GROUP)	274,838	10.57
(HACI) MUSTAFA BOYDAK (1934)	60,994	2.35
BOYDAK HOLDİNG A.Ş.	58,090	2.23
BEKİR BOYDAK	49,275	1.90
MEMDUH BOYDAK	49,275	1.90
MUSTAFA BOYDAK (1963 SAMİ OĞLU)	49,275	1.90
YUSUF BOYDAK	46,381	1.78
ŞÜKRÜ BOYDAK	41,080	1.58
HACI BOYDAK	39,521	1.52
Total	2,600,000	100

(*) Shareholders holding 1% or more interest in Türkiye Finans are shown in the table above. 130 shareholders, which have interest below 1% in the Bank represent a total of 7.25% share.

Carrying out their strategic partnership mission in the management of Türkiye Finans, NCB, the Boydak Group and the Ülker Group held 67.03%, 22.34% and 10.57% stakes in the bank, respectively, as of 31 December 2014.

About NCB

NCB (National Commercial Bank), Türkiye Finans's majority shareholder is the most deeply-capitalized bank in the Gulf region and the largest bank in Saudi Arabia with equity amounting to USD 12.5 billion. At the end of 2014, the bank had total assets worth USD 116 billion. NCB serves a customer base roughly 4 million with 7,839 employees in 329 branches located in Saudi Arabia. The bank employs highly effective and efficient use of alternative delivery channels, which now account for 92% of its customers' transactions. Also, according to the bank principal capital (Tier 1) listing prepared by The Banker in 2014, NCB ranked 1st in the Middle East and 115th in the world.

Shares belonging to Board of Directors and Executive Vice Presidents in Türkiye Finans

Shares belonging to Board Chairman Dear Mustafa Boydak are 1.90% in Türkiye Finans. All other Board of Directors and all executive vice presidents except for Board Chairman Dear Mustafa Boydak do not have any share in Türkiye Finans.

Chairman's Message



Extending an increasing level of support for the real sector and generating added value for its stakeholders with different financial instruments and channels is, in our view, the bank's reason for its existence. Our Bank was able to reflect the results of these efforts to its performance, as usual.

A hectic agenda for the global economy in 2014

It was a hectic agenda for the world economy in 2014, which was beset by many problems. At the same time, the failure to completely deal with economic problems put back public expectations while also ramping up geopolitical tensions. Finding direction in such an atmosphere, in which the agenda changes so rapidly, was not easy for those responsible for running the economy. Obviously, the measures taken by policymakers with international cooperation remained of critical importance.

The world economy was expected to pick up pace under the leadership of developed countries in line with the developments seen towards the end of 2013. However, global growth did not meet expectations during the year. Although some economies, such as the USA and the UK, exhibited a recovery, the economies of many developed and developing economies weakened amid increased geopolitical risks. Some developing countries, on the other hand, started to face deadlock in growth due to structural problems in addition to weak foreign demand conditions. All of these points sustained concerns of a prolonged economic recession.

While lower raw material prices on the back of a plunge in energy prices did support the economies of importers, concerns emerged that exporting economies would be negatively affected.

Certain central banks - mainly banks in developed economies - showed a tendency toward sustaining supporting monetary policies as weak growth trends took hold. Some central banks even needed to expand their monetary policies in order to stave off a slow-down in the economy and negative inflation.

Sustaining global cooperation crucial to protect gains in 2015

Against this backdrop, a more optimistic outlook can be sketched out for 2015 with the support of expansionary steps taken by central banks and low energy prices. Increasing growth, especially in developed countries, may precipitate a recovery in developed economies' trade partners and therefore in world growth. With an acceleration in growth, global capital flows and investments would be able to recover with the potential trust restored in those managing the economy which could also serve to reduce geopolitical tensions worldwide. A concerned effort by policy makers to take decisions and apply them with cooperation, as in recent years, will be critical in realizing these hopes and expectations.

Steps taken through international coordination will significantly contribute towards the goal of the Turkish economy reaching its potential growth rate. As uncertainties ease in the world, the Turkish economy will be one of the most attractive economies again, and assume its deserved place in the world.

Despite global difficulties, Türkiye Finans remains the bank of innovations in the sector.

Türkiye Finans continued to be the leader and the most innovator of the participation banking in the last year as it was in previous years. These innovations diversify the funding potential of our bank and increase financing opportunities that we provide for our customers.

These innovations are the result of our employees' excitement and enthusiasm. They also enhance our trust and hope regarding the future of the sector. The potential actors who are ready to enter the sector in 2015 serve to confirm that this hope and trust is shared by the public management and regulatory authorities, as well.

Türkiye Finans is a subsidiary of the Middle East's most deeply capitalized bank and is always aware of the support of its main shareholders. The Company continues to contribute our country's economy with this power.

Our Bank deems supporting the real sector in an increasing manner and generating added value for its stakeholders with different financial instruments and channels to be the reason for its existence. As in the past, our Bank has been able to reflect the results of these efforts to its performance.

The trust in Türkiye Finans is a reflection of the trust in Turkey

We know that the trust in our Bank, whose name contains Turkey, is a reflection of the trust in Turkey, and we are working for our country's development and growth with the responsibility provided by this fact.

We are working to help make the lives of our customers easier with the product and service mix which we offer in line with our principles. By emphasizing that Türkiye Finans' growth means Turkey's growth, we invite everybody to work with Türkiye Finans, which translated means "Turkey's Finance".

The pride that we take in our bank is fed by our successes. We hope to share this pride with our all of our stakeholders. I would like to extend my gratitude to our all customers, employees and shareholders who have placed their trust in Türkiye Finans, while underlining that we will continue to work in a faithful and determined manner.

Yours sincerely,



Mustafa Boydak
Chairman

Message from the CEO



Türkiye Finans, which was Turkey's first participation bank to issue lease certificates to finance the real sector, is determined to enhance this position with new issues.

We are directing the participation banking sector in Turkey with our actions and innovative products and services. We provide strong support to the real sector and our country's economy.

Türkiye Finans, the leader in participation banking, continued to chalk up sustainable growth in 2014. In addition to increasing the number of its branches and employees, and the new products and services that we have rolled out, we have also brought our capital adequacy and credit rating grade to the highest points.

In 2014, the volume of our Bank's assets increased to TL 33.5 billion growing by 33% YoY. The volume of funds collected - our Bank's most important funding resource - grew by 26% YoY to TL 19 billion, comprising a share of around 57% in the balance sheet. The total volume of loans, including financial leasing, extended to customers increased by 32.3% YoY to reach TL 24.3 billion.

Our Bank recorded a profit of TL 425 million before tax and TL 334 million of net income, marking 1.5% growth compared to the same period in the previous year. In the Extraordinary General Assembly dated 29 August 2014, the decision was taken to increase the capital from TL 1,775 million to TL 2,600 million, with the capital increase taking place in the last quarter of the year. This places the Bank as the strongest player among participation banks in terms of capital. In banking sector, Türkiye Finans' ranking increased to 7th place in terms of paid-in capital. Our Bank sustained its policy of keeping previous years' profit within the Bank to realize its growth plans in 2014. Our Bank's equity reached TL 3.2 billion by the end of 2014.

Sustaining a strong capital adequacy ratio, at 12.47%

Türkiye Finans increased its number of branches to 280 with 30 new branch openings while exceeding its organic growth targets in 2014. Our Bank effectively utilizes technology to ensure an excellent customer experience and broadens customer access from different channels with its internet branch, mobile branch and more than 500 ATMs.

Our Bank's outstanding performance in Turkey and international markets continues to draw appreciation on respectful platforms. Türkiye Finans was awarded by the 2014 Global Banking&Finance Review in 2013 in the following categories: "Turkey's Fastest Growing Commercial Bank", "Turkey's Fastest Growing SME Bank", "Turkey's Fastest Growing Retail Bank" and "Turkey's Best Co-Branded Credit Card".

Türkiye Finans is one of top 8 banks to have a credit rating grade in Turkey. Fitch Ratings affirmed Türkiye Finans' long term foreign currency credit rating as "BBB" with a 'stable' outlook following the evaluation conducted in 2014. The national credit rating was determined as AAA (tur) with a 'stable' outlook.

Diversifying the support provided to the real sector with a strong capital structure and leading position

Türkiye Finans, which was the first participation bank in Turkey to issue lease certificates to finance the real sector, is determined to enhance this position with new issues. Türkiye Finans has taken the lead to deepen our country's sukuk market with lease certificate issuances conducted through TF Asset Leasing, a subsidiary of Türkiye Finans, to provide resource to corporate customers.

We broadened our resource range by issuing three sukuks, in which our Bank is a user of funds, amounting to TL 299 million, two of which are public offerings and the other is an issuance to qualified investors in 2014.

Pride in our achievements based on Türkiye Finans' reputation in the international arena.

Türkiye Finans has realized the largest murabaha syndicated loans and sukuk issuances in participation banking for the last two years.

Our Bank obtained a Murabaha Syndicated Loan amounting to USD 350 million (USD 253.5 million and EUR 72 million). The maturity of this syndicated loan was 1 year, with 21 banks from 12 countries involved in the loan at June 2014.

Our Bank conducted two sukuk issuances amounting to USD 500 million and 800 million Malaysian Ringgit in 2014. These sukuk issuances attracted great interest from international investors. With the sukuk issuance made in Malaysian Ringgit domination, we realized the biggest issuance in one tranche as a non-Malaysian bank to local investors in Malaysia. In addition, we conducted the first and only issuance based in Turkey with this sukuk issuance in Malaysia, which is the world's most active and largest sukuk market.

Our Bahrain Branch - an important and strategic step, as it will be our first branch abroad.

At Türkiye Finans, we chose Bahrain for our first branch opening abroad as the country has the deepest experience in Islamic banking in Gulf Region. The fact that our main shareholder also operates in the country will be a great support for our activities in the region. With the opening of our branch, we will obtain important advantages in access to Islamic finance products and networking to strong players in the market. The branch will have the ability to create new sources of funding, helping Türkiye Finans to establish new business networks in a region where global Islamic banks have a presence.

Message from the CEO

Sustainability - an important axis of our activities.

Our Bank determines sustainability in its different dimensions as an important axis of its activities. Türkiye Finans also protects its different position with its cultural and social contributions. We felt the justified pride, in this year too, of being the first and only financial institution to support the Kırkpınar Oil Wrestling Tournament, which has a history dating back centuries. We shared in the joy of the event, which was organized for the 653rd time.

We, as an institution that derives profit from society, attaches importance to corporate social responsibility activities to fulfill our task of supporting the development of society. Our sustainability strategy is shaped by realizing good corporate citizen examples while realizing good banking applications. In line with our sustainability strategy, we published our first Sustainability Report. With this report, we presented our targets and strategy in this area to our stakeholders.

This positive point was crowned with GRI's approval at A+ level as the first and only report among banks that have permission to collect deposits.

In the upcoming period...

The macroeconomic outlook and macro prudential measures that have been taken signal that the sector can maintain its balanced growth going forward. In addition, we believe new entrants will inject new energy to the participation banking sector.

There is an important correlation between banks' private deposit market shares and branch market shares. The importance of branches becomes clearer from this approach. Our bank is determined to sustain its organic growth.

Always being on the side of the real sector's and SMEs and offering user friendly and innovative products and service which we support with our technological aspect are our unwavering priorities. On the other hand, we are aiming to introduce the lease certificate, a new and reliable funding method, to our corporate customers by supporting them in issuances. We also aim to keep contributing to our country's economy by creating an important market in this area. We are planning to continue issuing lease certificates in TL and foreign currency denomination depending on the cyclical conditions in 2015.

Our strategy is plain: Grow with Turkey and share the value that we generate with the country

Our stakeholders are at the heart of our main power groups in our growth strategy, in the future as they have been in the past. Accordingly, the four petals of the flower which composes our emblem represents our four main stakeholders: Customers, Employees, Shareholders and Society.

The main purpose of our banks' activities is to acquire new and loyal customers. We are aware of customer satisfaction in the establishment of success and reputation. We are taking actions with this focus.

Our Bank will remain the leading participation bank in 2015, as it has every year, with the following steps taken in view of the strategic priorities set out in line with the growth targets; customer oriented activities, capabilities in product and service development, international credibility, success in fund diversification and technological investments.

We are determined to manage and develop our assets and to share the value that we generate with our stakeholders by utilizing our power groups. For this purpose, we, as the Türkiye Finans family, will sustain our activities with excitement and devotion.

Yours sincerely,



Derya Güreker
CEO

Customer Constitution

As Türkiye Finans, our basic target is to become a leading resource provider undertaking investments and offering financial resources in line with our principles to our customers, who are our raison d'être and a source of great satisfaction for us. In line with this vision, we offer all our customers the services which will allow them to feel comfortable and safe, to obtain rapid solutions in line with their needs and expectations and to experience "Tireless Banking" through unique channels.

Standing by you

At Türkiye Finans, we see ourselves as "Companions" for our customers and establish long-term relations with all of our customers based on mutual benefit.

We listen to you

We reach out to our customers, listen to them and go to great lengths to maximize their satisfaction on a regular basis by establishing the channels that would allow our customers to submit all their problems and requests from any place, at any time.

We solve your problems

We care about our customers' complaints and suggestions, and demonstrate efforts to rapidly resolve problems. We respond to our customers' complaints within a maximum of 24 hours.

Making banking services easier

We are continuously working to restore our infrastructure, products and services to simplify banking services for our customers. We enable our customers to receive rapid and seamless service from our branches and all other channels based on our understanding of "Tireless Banking".

We are transparent

Because of our fair pricing policy, we clearly explain our customers all fees and commissions that we will get in return for our services. We do not ask for fees that are customers are not aware of.

We keep our customers informed

We keep our customers informed of their financial situations, transactions, accounts and payments on a regular basis; we provide all desired information concerning our products and services in a timely and understandable manner.

With our smile and sincerest gratitude, we express our appreciation of our customers who show their trust by working with us, and by using our products and services.

Macroeconomic Outlook and Sectoral Developments

Global macroeconomic outlook

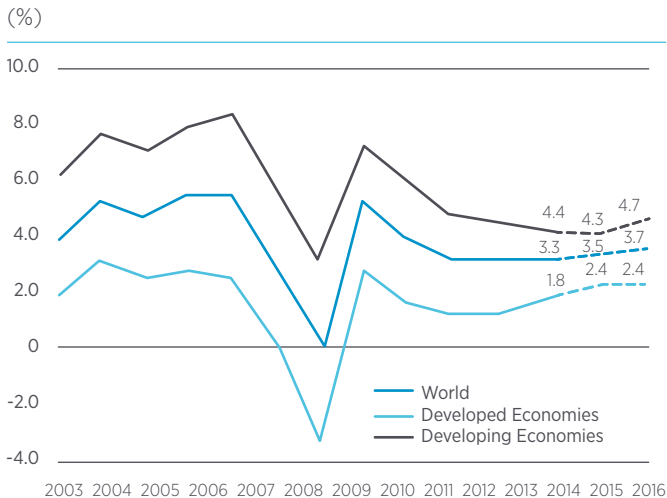
Fears of permanent recession and concerns over deflation remained at the forefront in 2014. Although the positive growth outlook in developed countries at the end of the previous year raised hopes of stronger global growth, realizations the first half of 2014 led to disappointment. Developing countries, on the other hand, remarkably lost pace due to structural reasons and the impact of low growth in developed economies. The fragile outlook in the world economy precipitated general selling in commodities, leading to a decline in prices - mainly energy prices. As a result, inflation rates around the world declined to below their historical averages, while monetary policies maintained their supporting position.

The USA economy grew at a moderate 2.4% in 2014 and unemployment declined to below 6% as of the end of the third quarter. While the recovery in the labor market continued in line with economic growth, the FED terminated its asset purchases as of October. Due to decrease in global commodity prices and high level of idle capacity in the economy, the rate of CPI inflation was realized at 0.8% during the year - lower than the FED's target of 2%, as it was for most of the year.

A stronger growth performance is expected in 2015 when compared to 2014, on the back of the monetary policy measures taken by developed economies.

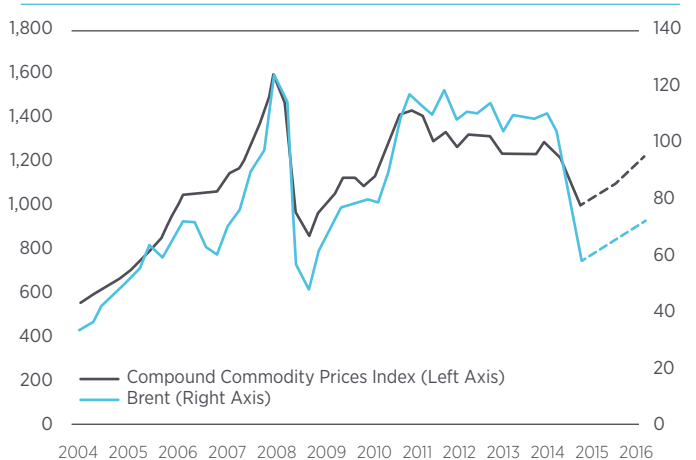
Eurozone economies sustained the recovery trends which started in 2013 and which continued in early 2014. However, due to increased geopolitical risks in the second quarter of 2014, recovery trends started to lose pace. While the annual rate of growth around the region was 0.8% in the third quarter, the annual rate of CPI inflation decreased to -0.2% at the end of 2014 - the lowest since 2009. Against a backdrop of such low inflation, the European Central Bank (ECB) cut its policy rates to record low levels. The lending rate was reduced to 0.05% while the deposit rate was taken down to -0.20%. Liquidity provided to the banking sector was increased with a targeted longer term refinancing operation (TLTRO). In the first month of 2015, the ECB took the decision to embark on quantitative easing, which includes asset purchases of countries. These steps aim for an extraordinary expansion in the ECB's balance sheet.

Growth Rates in the World



Source: IMF World Economic Outlook and Türkiye Finans

Global Commodity Prices



Source: IMF World Economic Outlook and Türkiye Finans

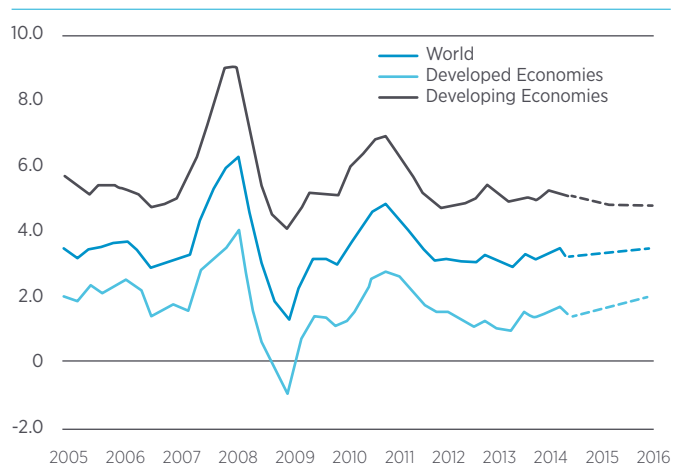
China, the world's second biggest economy, decided to balance its growth by reducing the risks in its banking sector in 2014. However, China's growth rate decreased by more than the targeted level because of the measures taken and the loss of growth momentum in developed economies. The Chinese economy grew by 7.4% in 2014. While commodity prices were starting to decline in response to the slowdown in global growth rates, the country's CPI inflation decreased to 1.5% by the end of 2014 - the lowest level of the year.

Growth in certain developing countries that tightened monetary policies at the end of 2013 to prevent capital outflows and limit rises in inflation rates exhibited a remarkable slowdown in the first half of 2014. Increased geopolitical risks exacerbated the deceleration of growth in some of these countries. These countries experienced difficulties in easing their monetary policies to the levels in early 2013 due to volatility in financial markets and uncertainty surrounding the Fed's policies. While inflation started to decline in these countries with low commodity prices, the growth outlook remains still weak.

A stronger growth performance is expected in 2015 when compared to 2014 thanks to the monetary policy measures taken by developed economies. While uncertainty over the timing and pace of Fed's interest rate increases continues, global liquidity conditions are expected to be balanced by expansionary steps taken by other economies. Therefore it is anticipated that emerging economies are in a position to gradually recover on the assumption that there is no significant curtailment in capital inflows to these economies. While the importance of structural reforms in boosting growth and alleviating fragilities has been emphasized, it is considered that the effectiveness of monetary policy measures can be increased. With these expectations, the global economy is expected to grow relatively slowly when compared to the pace seen in previous years, but still exceeding the rate of growth seen last year. A gradual increase in commodity prices and inflation is also expected going forward.

Global Inflation Rates

(%)



Source: IMF World Economic Outlook and Türkiye Finans

Macroeconomic Outlook and Sectoral Developments

Outlook for the Turkish economy

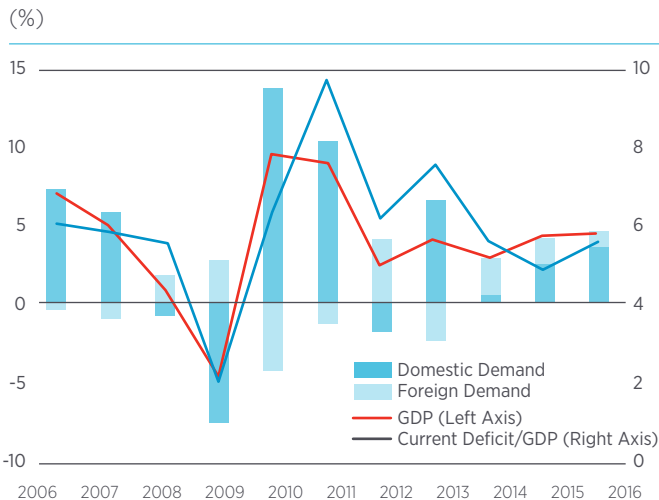
At the beginning of 2014, expectations regarding the economic outlook were generally pessimistic due to capital outflows from our country and a hectic political agenda. However, despite all of these points, the Turkish economy leaves 2014 behind in a stronger state. While inflation has started to come down, albeit gradually, there has been a limited weakening in the currency and increase in interest rates. The composition of growth was realized in a balanced manner. The current account deficit narrowed with the support of lower energy prices.

The CBRT conducted an aggressive tightening process by raising the one week repo rate from 4.5% at the beginning of 2014 to limit the negative impact of the devaluation in TL which was a result of a deterioration in the risk perception. Since the end of second quarter, while uncertainties in the country eased while global liquidity conditions also improved, the CBRT maintained its cautious stance in its liquidity policy and reduced interest rates accordingly. However, while inflation was high throughout the year, the CBRT limited its cuts in interest rates. The one week repo rate, which is a policy rate, ended the year at 8.25% after the cuts in interest rates implemented after the second quarter.

The growth in the Turkish economy is expected to gain pace to around 4% in 2015 on the back of structural reforms and a recovery in global growth.

The devaluation in the TL at the beginning of the year and in food prices - which stand higher than global levels due to the drought - were the reasons for consumer inflation approaching double digit levels in 2014. The negative impact of foreign exchange rates on inflation started to be relieved in the second half of the year. The rise in inflation did lose some pace thanks to the decline in global commodity prices. However, the fact that expected correction in food prices was limited delayed the recovery in inflation. The CBRT had to stand cautiously amid the uncertainties in global markets. As a result, consumer price inflation, which was 7.75% at the end of 2013, ended 2014 at 8.17% after having peaked at 9.66% in May.

Contribution to Growth and Current Deficit



Domestic demand exhibited a sharp deceleration in the second quarter due to lagged impacts of the tightening in monetary policy and the macro prudential measures taken by regulatory authorities. Thanks to the devaluation of the TL, there was no significant loss in Turkey's competitive power despite the low growth performance in the economies of some of Turkey's trading partners. As a result, foreign demand effectively supported growth in 2014, in contrast with the weak performance in domestic demand. Following the strong 4.8% growth rate in the first quarter, the annual rate of GDP growth declined to 2.2% and 1.7% in the second and third quarters, respectively. According to leading indicators, although growth in the fourth quarter was better than in the third quarter, the growth rate for the year is expected to have been around 3.3%.

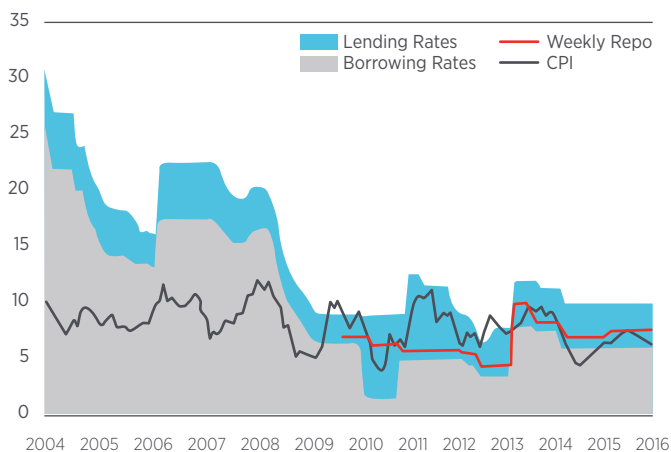
The positive impact of the fall in commodity prices started to be seen towards the year-end. Thanks to weak domestic demand, imports contracted by 3.7%. Exports, on the other hand, increased by 3.9% thanks to fall in the TL to a more competitive position, despite the slowdown in Europe and increased geopolitical risks. Therefore, the trade deficit contracted by 15.4% YoY to USD 84.5 billion in 2014, from USD 99.9 billion at the end of 2013. Likewise, the current account deficit narrowed from USD 64.7 billion in 2013 to USD 45.8 billion in 2014.

The TL depreciated by 15% against the USD and Euro, when compared to its 2013 average. In real terms, the currency lost 6.3% and 3.7% of its value against the currencies of developed and developing countries, respectively. If it is considered as a basket, the fall in the currency was 5.6%. The compounded yield on the benchmark bond increased from 10% in 2013 to a high 11.6% in 2014 before falling to 8% by the end of 2014 thanks to recovery in the inflation outlook and the CBRT's rate cuts.

The Turkish economy is expected to post around 4% growth in 2015 with growth expected to pick up on the back of structural reforms and the recovery in global growth. A balanced growth composition seems possible with the decrease in foreign demand and moderate level of domestic demand. With the help of lower energy and commodity prices, the current account deficit is expected to decline to 5.2% of GDP with inflation expected to decrease to 5% within the year. However, inflation is expected to increase towards the end of year (on a YoY basis) due to the base effect. With the recovery in the inflation outlook, the CBRT may cut its monetary policy interest rates further. The volatility in financial markets is expected to be high depending on global developments.

CPI and CBRT Interest Rates

(%)



Source: TurkStat, CBRT, Türkiye Finans

Macroeconomic Outlook and Sectoral Developments

The Turkish banking sector and participation banking

As a result of the BRSA's macro prudential measures as well as the CBRT's monetary policy tightening at the beginning of 2014, the Turkish banking sector realized a remarkable slowdown in its growth. A wave of regulations were introduced in the banking sector from the second half of 2013, including an increase in general provisions, an increase in risk weightings, limitations placed on credit card borrowing and limitations on the maturities of consumer loans. These regulations were clearly restrictive of the sector's loan composition, growth and profitability performance in 2014.

The increase in funding costs in the first quarter negatively impacted the sector's profitability for a time, but this effect eased in the periods that followed. Loan composition, on the other hand, changed in line with the balancing in the economy thanks to the macro prudential measures taken. While the slowdown in consumer loan growth was more apparent, the rapid growth in corporate loans limited the deceleration in total loans. Thanks to the experience gained in previous years and a sound financial structure, the sector left behind a difficult year with success, as the economy did.

Thanks to the experience gained in previous years and a sound financial structure, the sector left behind a difficult year with success, as did the economy.

The sector's assets size grew by 15% YoY to TL 1,994 billion in 2014, while deposits increased by 11% to TL 1,057 billion. Loans grew by 18% to TL 1,241 billion while equity jumped to TL 232 billion with 20% YoY growth. The banking sector's average loans/deposit ratio plunged sharply for a short time in the middle of the year before rebounding to 120% by the end of 2014, compared to the 113% at the end of 2013.

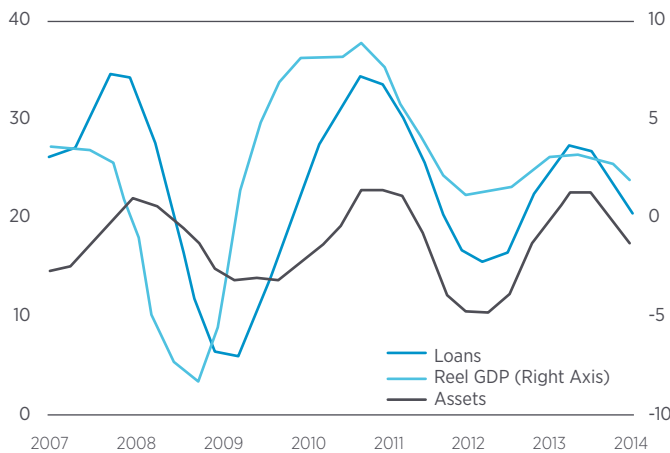
The volume of securities issued by the sector to domestic and foreign markets rose by 47.4% YoY to TL 89.3 billion. While commissions income declining on the back of an increase in costs at the beginning of the year and the BRSA's measures, profitability in the banking sector remained almost the same as in 2013, at TL 24.67 billion. With these results, the sector's capital adequacy rose to 16.3% by the end of 2014, compared to 15.3% at the end of 2013.

In addition to the Treasury's sukuk (lease certificate) issuances in domestic and foreign currency denominations, participation banks - including our Bank - also carried out sukuk issuances. Despite the volatility in financial markets, the Treasury's and participation banks' sukuk issuances attracted strong demand.

The banking sector is expected to post moderate growth in the first half of 2015, broadly in line with what was seen in the second half of 2014, but with a more rapid rate of growth expected in the second half of the year in line with the recovery in the economy. An increase in profitability is expected despite the volatility in financial markets.

Annual Average Changes

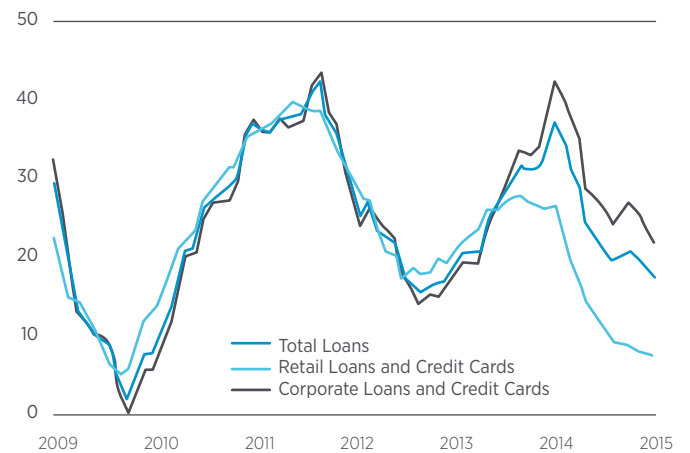
(%)



Source: BRSA, TurkStat, Türkiye Finans

Annual Changes

(%)



Source: BRSA, TurkStat, Türkiye Finans

120%

The banking sector's average loans/deposit ratio plunged for a short time in the middle of the year before rebounding to 120% by the end of 2014, compared to the 113% at the end of 2013.

An Assessment of the Bank's Position in the Sector in 2014

Despite a decline in the pace of growth in the banking sector in 2014, Türkiye Finans surpassed the growth rates seen in both the sector and among participation banks. Türkiye Finans' assets grew by 33% to TL 33.5 billion. The sector meanwhile recorded 15% growth with Participation Banks notching up 9% growth in the same period. Türkiye Finans increased its market share among Participation Banks from 26% to 32% in the space of the year.

Cash funds including financial leasing provided by the sector and participation banks in 2014 grew by 18% and 4% respectively. On the other hand Türkiye Finans recorded 33% growth in this area, with cash funds provided reaching TL 24.3 billion. The market share of Türkiye Finans increased to 1.9% in 2014 from 1.7% in 2013 while its share among Participation Banks rose from 27% to 34%. The share of Funds Supplied* in Türkiye Finans' assets remained the same as in the previous year at 73%. For participation banks, this share decreased from 71% to 68%. Türkiye Finans sustained its rapid growth and outperformed both the sector and other Participation Banks in terms of asset quality. Türkiye Finans' non-performing loan ratio stood at 2.4%.

Türkiye Finans increased its funds collected by %26 to TL 19.1 billion which is a better performance than the sector and participation banks. Funds collected in the sector and participation banks grew by 11% and 6%, respectively in the same period. Türkiye Finans' market share in funds collected was realized at 1.8% in 2014.

While the Supplied funds/collected funds ratio in all banking groups in the sector was within a 110-120% bracket, Türkiye Finans posted a 127% ratio as of the end of 2014.

*Funds supplied, include "net non-performing loans", " Profit-share and revenue recognition rediscount" and "net financial leasing receivables"

With its performance in 2014, Türkiye Finans stands at the forefront and enhances its position in the sector and among participation banks.

Türkiye Finans' equity increased by 25% to TL 3.2 billion. Its average return on equity was realized at 11.8%

While attaining a high level of growth, Türkiye Finans did not compromise on profitability, booking net income of TL 334 million in the year.

Türkiye Finans realized its target of 30 branch openings and reached a network of 280 branches. The Bank became a team of around 4,500 people by the year-end.

Installation limit on credit cards and increase in down payments in vehicle purchases with loan raised the demand for consumer loans. Depending on change in legislation, while consumer loans in the sector were growing by 11%, Türkiye Finans expanded its consumer loan volume by 250%. In contrast with the 20% contraction in vehicle loans in the sector, Türkiye Finans posted 10% growth in this area.

With its performance in 2014, Türkiye Finans stood out, enhancing its position in the sector and among participation banks.

By the end of 2014, Türkiye Finans outperformed the sector as a whole and Participation Banks in terms of assets, securities, funds supplied, funds collected, equity and profitability. The Bank increased its market share in related financials.

An NPL ratio lower than the sector and the average among Participation Banks.

Türkiye Finans achieved a more rapid increase in efficiency than both the sector and the average among participation banks, with 16% growth in funds supplied and collected per branch, even though the Bank's rate of branch openings was higher than the sector. This success was derived from the following: effective human resources, innovative products designed to meet customers' needs, and a continuous improvement in service quality.

In an Extraordinary General Assembly Meeting held on 29 August 2014, the decision was taken for Türkiye Finans, Turkey's leading participation bank, to increase its capital from TL 1,775 million to TL 2,600 million. Türkiye Finans aims to contribute to employment by opening new branches with the resources provided through the capital increase. A total of TL 600 million of the increased capital was covered through bonus issues from legal reserves set aside in line with General Assembly's decision, while TL 225 million was covered in the form of cash from shareholders.

Türkiye Finans has launched large murabaha syndicated loans in the Participation Banking sector over the last two years. This is an indication of the international financial markets' trust in our country's economy and in Türkiye Finans in particular. A total of 21 banks from 12 countries participated in the syndicated loan which has maturity of 1 year and was carried out on 30 June. As a result, a Murabaha Syndicated Loan of USD 350 million (USD 253.5 million and EUR 72 million) was obtained.

Türkiye Finans, which is the first participation bank in Turkey to have issued lease certificates to finance the real sector, is determined to enhance its position with new issuances. Within this context, a total of TL 102.5 million in lease certificate issues to three corporate customers was undertaken in 2014. Türkiye Finans aims to introduce the lease certificate, a new and reliable funding method, to corporate customers by supporting them in issuances. We also aim to continue contributing to our country's economy by creating an important market in this area. Türkiye Finans is highly confident that it content about creating another product through which the Bank will diversify its support offered to the real sector widely with a strong capital structure.

Türkiye Finans has launched large murabaha syndicated loans in Participation Banking sector for the last two years. This situation is an indication of international financial markets' trust on our country's economy and on Türkiye Finans.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Ever increasing support for the real sector with the funds supplied

Supporting the real sector is Türkiye Finans' main priority.

The Bank supplied funds, except legal provisions, to customers in 2014 as part of support for the real sector policy. Türkiye Finans directed almost 73% of its assets to the real sector. Funds supplied (including financial leasing) reached TL 24.3 billion, having grown by 32.8% when compared to the end of 2013. Meanwhile, the Bank's non-cash loan portfolio expanded by 20% YoY to TL 10.6 billion in 2014.

Türkiye Finans' basic strategy in supplying funds is to spread the risk to the base and to prevent risk concentration.

At Türkiye Finans' risk is spread to the base and the risk per customer is lower than the sector's average.

When the composition of risks is considered, the share of the 10 riskiest customers in funds supplied is 5%, while that of the 20 riskiest customers stands at 7%, the share of the 100 riskiest customers is 14% and the share of 200 riskiest customers is 20%. These ratios, which are at the same level as in 2013, were significantly lower than banking sector averages.

At Türkiye Finans, risk concentration is low on a sectoral basis. The Bank closely follows regional and sectoral developments and focuses on companies in sectors which offer growth potential. The Bank protects its qualified and healthy portfolio structure which comprises of companies that can sustain their growth cycle and that have high credibility and high capacity of solvency.

Despite expanding its loan portfolio at a rate in excess of the sector average, Türkiye Finans enjoyed a considerably lower NPL ratio than the sector average. There was no increase in Türkiye Finans' NPL ratio, which remained at 2.4% - the same level as in 2013. This ratio is indicative of the Bank's portfolio and asset quality. It also demonstrates that Türkiye Finans sustains its growth on a strong basis, and enhances the Bank's competitive power.

Offering a wide array of services to commercial/corporate banking customers

Within the framework of its commercial/corporate banking activities, Türkiye Finans serves those companies with TL 15-50 million in annual net sales through the Commercial Banking department and those companies with a turnover more than TL 150 million through the Corporate Banking department.

With a versatile and solution oriented approach, Türkiye Finans aims to rapidly and effectively meet companies' continuously changing demands under the scope of Commercial Banking. The Bank achieved an increase in its product penetration by expanding its customer base in 2014. Türkiye Finans increased the volume of funds supplied in the commercial/corporate segment.

The volume of Türkiye Finans' supplied funds reached TL 8.4 billion in the Commercial segment and TL 4.5 billion in the Corporate segment in 2014 by offering integrated solutions with effective product management, service excellence, operational speed and a quality approach.

TL 12.9 billion

The Commercial/Corporate business family extended
TL 12.9 billion in cash funds.

When it comes to deposits, Türkiye Finans repeated its success in cash funds. Türkiye Finans reached a volume of TL 2.9 billion with 39% growth in the Commercial segment, while the Corporate segment posted 8% growth to expand to TL 2.3 billion. The Bank reached a deposit volume of TL 4.9 billion in total with 24% growth as a Commercial/Corporate business family.

The Bank's non-cash loans in this segment grew by 16% YoY to TL 8.4 billion in 2014.

Türkiye Finans continued to finance its customers in the commercial segment through the financial leasing model to cater for their needs for all kind of machinery, equipment and such items. The volume of financial leasing transactions increased by 40% to TL 850 million. Commercial Banking and Corporate Banking recorded 54% and 2% growth, respectively, in financial leasing.

Türkiye Finans sustained the growth in its foreign trade transactions, which increased by 50% to TL 3.4 billion in 2014. The corporate segment recorded 118% growth, while the Commercial segment posted 29% growth in 2014.

The Bank maintained its cooperation with the Türk Eximbank to support exporters and manufacturers that carry out production for exports. "Preshipment Export Loans" were issued within the framework of participation banking principles in line with the needs of customers. As of the end of 2014, a total of USD 12 million of loans was reached.

Türkiye Finans continued to support Turkey's exports by intermediating in USD 550 million of non-cash loans in Türk Eximbank loans with short, medium and long term maturities in 2014.

Continuing to offer customers effective foreign trade solutions in 2014

Türkiye Finans, which is continuously enhancing its identity as a foreign trade bank, effectively utilizes loan alternatives such as the Saudi Export Program (SEP), International Islamic Trade Finance Corporation (ITFC), Islamic Development Bank (IDB), GSM and Eximbank. By doing so, the Bank brings together its customers with privileges thanks to its expertise in foreign trade advisory services. Within this framework, the Bank started to intermediate in Preshipment Export Loans in cooperation with Türk Eximbank. Moreover, the bank offered new services such as offering advice to customers with a "Specialist Foreign Exchange Line" by expert foreign exchange teams.

A growing volume of Direct Collection System (DTS) in cash management

Türkiye Finans increased the number of contracted firms from 29 to 50 and the number of sub-distributors from 150 to 256 in 2014. The Bank also increased its DTS limit from TL 95 million to TL 120 million while transaction volume rose to TL 264 million.

Alternative solutions in payment systems

The Bank continues to develop business partnerships with customers in payment systems by generating alternative solutions in this field. Within this scope, the number of commercial/corporate POS increased from 4,365 to 5,929. With the increase in number of POS, the Bank's POS revenue also rose from TL 594 million to TL 1 billion.

**Dış ticaret
bizim işimiz.**



An Assessment of Türkiye Finans' Activities in 2014 their Results

A more effective service for corporate portfolios

Within the context of the Corporate Banking Field Structuring, which was put into action in 2014, the Bank opened two new corporate branches in Istanbul (Boğaziçi and Trakya) in addition to Başkent and Kozyatağı Corporate Branches. With the realization of the project, the sales team, which was composed of 7 staff, expanded to 46 staff, with around 95% of the Bank's 7,600 corporate customers gathered into four corporate branches and corporate portfolios that were set up in branches in 10 cities. By doing so, the Company took an important step towards providing specialized, direct and more qualified services to its customers.

Long term resources for our customers through lease certificates

Türkiye Finans realized a "first" in the sector and provided long term resources to its customers by intermediation in sukuk issues through its asset lease company. The Bank finalized 2 transactions amounting to TL 102.5 million and started 2 other issues amounting to TL 243 million.

One-to-one solutions to SMEs and micro enterprises through Enterprise Banking

Türkiye Finans offered financial support, information and advisory service with 564 SME MIY-MHY and 153 Enterprise MIY in 280 branches under the roof of Enterprise Banking with the mission of creating value for SMEs and micro enterprises that were the driving forces of the Turkish economy in 2014. Türkiye Finans takes actions towards customer orientation, proactivity and mobility principles to increase access to a wide SME and enterprise network in Enterprise Banking activities.

Türkiye Finans commands a 41% share in SME cash loans among participation banks, compared to 3.6% in the banking sector.

Enterprise Banking, serving more than 120,000 corporate customers with revenues of up to TL 15 million, and 50,000 company partners, saw 51% growth in cash loans to TL 6.7 billion while non-cash loans increased by 40% to TL 2.1 billion. According to the official SME definition, the Bank's risk volume reached TL 12 billion with 57% growth in cash loans and to TL 5.4 billion with 31% growth in non-cash loans.

Türkiye Finans' share in SME cash loans stands at 41% among participation banks and 3.6% in the banking sector. The Bank's share in SME non-cash loans, on the other hand, stands at 33% among participation banks and 5.6% in the banking sector. According to the official SME definition, while SMEs had 27% and 25% shares in cash and non-cash loans in the sector, these ratios were both 51% for Türkiye Finans.

Providing support for SMEs and enterprises in their needs for machinery, equipment and similar investments, Türkiye Finans increased its leasing volume in Enterprise Banking by 33% to TL 312 million in 2014.

Improvements in loan supply processes

As a result of developments in the Micro Scoring project, which was carried out to ensure faster and more effective evaluations of corporate customers' demand for funding amounts of less than TL 50,000, customer demands were resolved in a shorter space of time in 2014.

Within the scope of "Business Scoring" application which was developed in 2014, customers with annual revenues of less than TL 2 million and who were requesting financing of more than TL 50,000 were evaluated within the same day through the application. Thanks to this project, the loan supply duration decreased while customer services and the allocation quality increased.

Moreover, the e-declaration project, which was launched in 2013, was improved in 2014. The automatic transfer of interim periods to the system was enabled and fund supply processes were shortened.

Directing SMEs accurately and offering them appropriate solutions by establishing cooperation with related institutions with our advisory services.

Türkiye Finans, which supports SMEs' growth and development, is not only a financial institution for SMEs but also an advisor and business partner.

Türkiye Finans stepped up its cooperation with chambers of trade and industry for the development of SMEs that it serves and for developing the integration of SMEs with domestic and international markets. In line with this, the Bank signed a protocol with the Chambers of Trade and Industry in Cizre, Van, Ünye, Fatsa, Ordu and Karaman. Meetings, under the name of "Türkiye Finans Days", related to information, advisory and sharing were held for SMEs.

Türkiye Finans continued to participate in fairs and conferences in line with the aim of meeting SMEs and expanding the cooperation with them in 2014.

Türkiye Finans participated in 6 fairs in 6 cities in the sectors of energy, agriculture and machinery in 2014. Moreover, the Bank participated in the Purchasing and Procurement Chain Conference organized by Istanbul University and the Pharmacy Management Summit organized in Cyprus as a sponsor. Türkiye Finans shared its sector specific solutions with sector representatives in these events.

The Bank also continued sponsorship activities to raise awareness of branding among SME's and to contribute to the raising of new brands from Anatolia. Türkiye Finans again sponsored the Anatolian Brands Publicity Meeting in 2014, which was started in 2012. In these meetings, important figures from the Turkish economy shared their inspiring brand stories with participants in each city. Concurrently with the meetings, applications were received for the Anatolian Brands Contest 2014. Winners of the contest were handed their awards in a special ceremony organized in December.

Türkiye Finans carried out cooperation with an expert consulting firm, primarily regarding grants provided by the Development Agencies but also incentives that support innovation in production and given by TÜBİTAK, R&D incentives, TTGV support, KOSGEB Project Incentives, IPARS support, rural development and stockbreeding incentives. With this cooperation, a professional service was offered to SMEs concerning these grants.

TL 312 million

Türkiye Finans' leasing volume in Enterprise Banking increased by 33% YoY to TL 312 million.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Infrastructure activities by the 'kolaygelsin.com' (may your work come easily) portal were completed. This portal will be comprised of news on the macroeconomy, expert views, banking, finance, news of grants and incentives, investment recommendations and special announcements. It will be offered to customers in the first quarter of 2015.

Improving the activities we carry out for micro enterprises.

Türkiye Finans' aim is to offer rapid, innovative and competitive solutions to meet the financial needs and demands of craftsmen and small sized enterprises and to spread the SME portfolio to the base. The Bank maintained the activities conducted in the Enterprise Banking segment, with efforts to improve the customer experience in 2014. Türkiye Finans increased its customer group and transaction volume.

Türkiye Finans supported 190,000 craftsmen and small sized customers in the Enterprise segment and have annual revenue of less than TL 2 million. The Bank provided TL 800 million in cash support, of which TL 160 million was composed of card products while non-cash support stood at TL 325 million.

POS among our priority products

POS product remained a priority product within the context of Türkiye Finans' urban banking approach in 2014. The POS working team was established to improve service quality and offer a more competitive customer experience.

Türkiye Finans continued to offer supportive solutions to SMEs with the Siftah Card in 2014. With 3,300 cards, the Bank intermediated in the purchase of TL 122 million in goods and services for SME's.

The Bank acquired around 10,000 new member workplaces throughout the year. Customer satisfaction, promotion and activation calls were made concerning the use of POS, reaching 6,000 SMEs each month.

Türkiye Finans is among the leading banks offering cash register devices for customers in an agreement with VERA POS. The Bank currently continues the sale of Vera, Profilo and Hugin branded cash register devices.

Helping make the lives of SMEs easier with the Siftah Card.

The "Siftah Card" was introduced for SMEs in 2013. With this card, Türkiye Finans offers SMEs the opportunity for POS machines to be installed within the scope of participation banking principles, according to installation models previously preferred and defined in the system. This avoids the need to go to branches for their purchases of goods and services. Türkiye Finans continued to offer supportive solutions to SMEs with the Siftah Card in 2014. The Bank, with 3,300 cards, intermediated in SMEs purchases of good and services amounting to TL 122 million.



Innovative solutions that overlap different sectors' needs thanks to the Faal Card

The Faal Card provides quick, easy and simultaneous installation of goods and services purchases related to private companies' commercial activities. With system improvements effected in 2014, Türkiye Finans offered the "Faal Card" to all corporate customers.

The Bank developed flexible payment options such as a grace period, annual payment and periodic payments to meet the demands of different sectors and occupational groups. Within this context, Türkiye Finans prepared and presented Faal Card packages which are comprised of special payment options for other sectors and occupational groups, primarily Faal Farmer for the agricultural sector, Faal Tourism Professional for the tourism sector and Faal Pharmacist for pharmacists.

The Faal Card Application space was opened in the corporate website to receive applications from non-branch channels.

Türkiye Finans provided TL 150 million of financing to its customers in 2014 for their purchases of goods and services. As of the end of 2014, the number of customers in the Faal Card program increased to 13,000 while the number of cards increased to 17,000. The volume of limit allocations increased to TL 265 million, while the risk balance stood at TL 100 million.

The Faal Card received wide media coverage on TV, newspapers, the internet and social media with the advertising campaign involving Alex de Souza. This provided a level of public awareness which was reflected to the number of applications received from branches and non-branch channels. Within the 3-month campaign period, almost 6,000 applications were received through the website and SMS.

More guarantees for SMEs

Türkiye Finans maintained its efforts to improve the customer experience in the Bank's products and services throughout 2014. Within its consultancy strategy, the Bank offered a wide array of products to its customers designed to protect SMEs and Enterprises and to raise awareness of risk.

Türkiye Finans reached more than 30,000 policies in İşyerim Güvende (My Safe Office), Limit Güvence (Limit Assurance), Çek Güvence (Check Assurance) and Faal/Siftah Kart Güvence (Faal/Siftah Card Assurance), İnşaat All Risk (Construction All Risk), İş Yeri Yangın (Office Fire), Leasing All Risk insurances. With these insurance policies, our customers were brought under full protection against all risks that they may face.

Our support to SMEs that have Investment Incentive Certificate continues.

Within the scope of the "Profit Share Protocol" signed between Türkiye Finans and the Ministry of Economy, the Bank continued to support companies that have investment incentive certificate.

Within the scope of this product, customers that make their investments with the support of Türkiye Finans can utilize profit share opportunity of 3-7 points in TL funds and 1-2 points in foreign currency funds.

From the date the protocol was signed up until the end of December 2014, a total of TL 114.3 million in financial support was provided to SMEs in their purchases of goods regarding their investments. The Bank also intermediated in TL 9 million of grants received from the Ministry of Economy.

Within this context, customers who purchased goods amounting to TL 39.7 million in 2014 were awarded TL 3.07 million in grants.

TL 150 million

As of the end of 2014, the number of customers in the Faal Card program increased to 13,000 while the number of cards increased to 17,000.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Wider and more effective service through cooperation

The Confederation of Turkish Tradesmen and Craftsmen (TESK) was established in the form of a public institution which has one of the widest organization networks in Turkey bringing together tradesmen and craftsmen who form one of the most important building blocks of the Turkish economy. In line with the protocol signed between Türkiye Finans and TESK, the Bank prepared and offered financing packages to member enterprises of TESK. As a result, the cooperation with TESK was deepened.

With the development of the project, Türkiye Finans carried out cooperation with chambers of tradesmen, unions and cooperatives in cities such as İzmir, Karaman, Nevşehir, Kayseri and Manisa. The Bank provided special advantages and discounts to enterprises in their purchases of goods and services.

On the other hand, Türkiye Finans started to support SMEs with preferential terms in their purchases of machinery, goods and services through the Supplier Financing product. In addition, the Bank carried out cooperation with producers and distributors.

Special packages for SMEs

The Türkiye Finans Pharmacist Package was developed with the heading of "Pharmacists' Medicine from Türkiye Finans" as a result of the approach of generating one-to-one solutions by establishing close communication with occupational groups.

The Pharmacist Package was prepared for pharmacies that play an active role in business life and that intensively use banking products, primarily cash management products. With this package, the Bank aims to satisfy all banking needs of pharmacists.

Following the announcement of the Pharmacist Package, Türkiye Finans became a sponsor of the 1st Pharmacy Management summit, which was organized in Cyprus. The Bank announced the advantages of this package and provided guidance to pharmacists in financial solutions during the investment management conference.

In the lead position in KGF (Credit Guarantee Fund) supported loans in 2014 (*)

Demonstrating a solution-oriented approach to facilitate SMEs' access to financial resources, Türkiye Finans maintained its

*Based on monthly data of TBA

As of 2014 year-end, the Bank's KGF collateral loan volume reached to TL 813 million which is 95% more collateralized support than the second ranking bank.

leading position in the banking industry in 2014 on the basis of Treasury Supported Credit Guarantee Fund collaterals, as it had in 2013.

As of the end of December 2014, the Bank's KGF collateral loan volume reached TL 813 million, representing 95% more collateralized support than the second ranking bank.

Türkiye Finans carried out TL 294 million of Treasury Supported Credit Guarantee Fund collateral transactions in 2014. The Bank's support supplied in this category increased by 43% when compared to the previous year. Türkiye Finans' market share rose from 28% to 31%.

Türkiye Finans added a new program to the KGF Collateral programs, in which it is the leader, and the Bank formed a new program to support small and medium sized enterprises. The demands from customers settled in 43 cities were finalized in 1 day with the fast collateral system brought by the Portfolio Guarantee System (PGS), which was signed with the cooperation between KGF- Europe Investment Fund and Türkiye Finans. Accordingly, Türkiye Finans provided KGF Collateral support to micro and medium sized enterprises amounting to TL 10 million.

With awareness of its social responsibility, Türkiye Finans continued to intermediate in KOSGEB's projects offered to SMEs. The Bank signed two different protocols with KOSGEB in 2014 to provide financial support to enterprises that suffered from accidents in Hatay, Van, Soma and 17 towns and cities in Turkey. Moreover, with the Co-Financing Protocol, Türkiye Finans intermediated in purchases related to business plans of all SMEs that were qualified as part of KOSGEB's support packages.

Türkiye Finans will continue to offer collateralized solutions to SMEs and intermediate in KOSGEB's support programs in 2015.

Growth in housing loans and personal financing.

Türkiye Finans provided real estate financing amounting to TL 2.2 billion in 2014, marking 6% growth over 2013. Housing Financing, in which all services are offered under the Çilingir (Locksmith) brand, had an 83% share of total real estate financing.

As a result of loans supplied, the risk balance of Housing Financing grew by 32% to TL 3.47 billion by the end of 2014. The risk balance of Installment Based Commercial Real Estate (Land/Office), on the other hand, increased to TL 690 million, marking 7.6% growth.

Türkiye Finans focused on cross sales to enhance customer loyalty and achieve growth in Housing Financing in 2014. The Bank introduced 2+1=4 Mortgages as a product, which provides a 0.04 point discount in the case of purchasing 3 products, to its branches. Türkiye Finans increased the cross sale ratio of its active real estate financing customers by 25%.

The Bank reached a mortgage financing volume of TL 580 million as part of the 2+1=4 Mortgage product.

In addition to the financing of completed real estate, Türkiye Finans played an active role in incomplete mass housing projects in 2014 with its financing strategies and effective and active marketing activities.

Türkiye Finans reached agreements on approximately 600 mass housing projects that are being constructed by the country's leading companies. The Bank offered its customers the opportunity to be a homeowner in these projects.

*Based on data which is monthly sent to KGF working grub by The Banks Association of Turkey

Around 16,000 housing financing transactions, amounting to TL 1.8 billion, were carried out in 2014. TL 695 million of this volume was composed of financing provided within the scope of mass housing projects. Mass housing projects accounted for 38% of total housing financing.

Rapid Growth in Consumer and Vehicle Financing.

The growth rate in Consumer Financing stood at 34.5% when compared to the previous year.

Türkiye Finans realized growth in consumer financing far exceeding the rate in the sector through applications such as "Finansör" and "Hızlı Finansman (Fast Financing)" that are firsts in the participation banking sector.

The Bank continued to offer the Ready Limit which is pre-approved consumer and vehicle financing. The Bank's customers were offered consumer financing opportunities after having been notified of the campaigns.

While vehicle loans contracted in the sector, Türkiye Finans' risk balance for Vehicle Financing grew by 11%, indicating a high rate of growth compared to the sector.

As of 2014 year-end, the Bank reached a balance of TL 371 million in Vehicle Financing and TL 283 million in Consumer Financing, including commercial loans with personal installments.

Fast and easy access to loan: Finansör and Hızlı Finansman (Fast Financing)

Türkiye Finans' Hızlı Finansman (Fast Financing) distributors, the first of their kind in participation banking and which operate as an online financing channel, reached around 2,000 points.

In order to provide support for customers' demands for consumer and vehicle financing, on-site supply was carried out with simultaneous responses from contracted distributors.

Türkiye Finans provides financing support through the Hızlı Finansman application with contracted distributors such as vehicle, furniture, white goods and electronics distributors. Funds supplied in 2014 within the context of Hızlı Finansman reached 30% of the Bank's total Vehicle Financing and 60% of its Consumer Financing.

Within the context of consumer financing, the Finansör application demonstrated strong growth in 2014. In this period, the number of transactions increased to 192,000 while funds supplied reached TL 320 million. The Bank offered the opportunity to use Finansör, not only from the branches which customers are working with but also from every Türkiye Finans branch, in order to increase the service quality and customer experience.

An Assessment of Türkiye Finans' Activities in 2014 their Results

The Finansör distribution network was expanded in 2014 and integrated into the Hızlı Finansman online platform. By doing so, Finansör applications could be received from contracted distributors, easing the use of the application.

Within the scope of Hızlı Finansman, a special premium structure was formed for distributors. An infrastructure identifying and managing sector, campaign, distributor and parent company based premium campaigns was developed.

Innovations in credit card applications

Turkey's leading participation bank, Türkiye Finans, expanded its Happy Card portfolio in 2014. The Happy Kahramanmaraş Spor was added as a new credit card to the portfolio, joining the Happy Anne (Mother) and Happy Zero products.

The Happy Kahramanmaraş Spor Card is the first fan card in the history of participation banking. Happy Kahramanmaraş Spor Card holders enjoy advantages such as discounts, installments and extra points while they support their favorite sports club through the points that they will earn from shopping.

In addition to credit card applications such as social security premium payments, BKM express payments, bill payments, TL loading, HGS (Fast Pass System) and By Installment, Türkiye Finans started to offer the Virtual Card product for secure online shopping.

In 2014, Türkiye Finans included new value added services such as Kimliğim Güvende ("my ID is Safe") and airport Lounge passes into its credit card services. By doing so, the Bank enhanced its value proposition.

Credit card holders (Türkiye Finans customers) may benefit from all privileges and opportunities offered by Türkiye Finans member workplaces and Bonus member workplaces. By means of regularly held campaigns, card holders are also offered advantages such as earning additional Bonus points, discounts on their shopping, promotions, additional installments and the chance to postpone installment payments. Current campaigns and all advantages offered within the scope of card program are shared on the www.happycard.com.tr website.

As of the end of 2014, the number of credit cards increased by 11.92% to 425,000 while the number of debit cards in circulation grew by 23.67% to reach 1,257,297.

Revenue from retail credit cards and debit cards increased by 26.43% and 37.13%, respectively.

POS revenue also continues to increase in line with the efficiency of member workplaces.

The number of member workplaces increased to 29,650 as of the end of 2014 in line with the efforts to increase shopping revenue through the Bank's POS network, the activity ratio of member workplaces and cross sales.

Revenue per POS reached TL 120,000 while revenues from member workplaces increased to TL 2.5 billion.



In order to support the improvement of services offered to member workplaces, in 2014, Türkiye Finans:

- brought applications into use that provide the opportunity for installment payments, the earning of points and special campaigns for Bonus credit cards of all banks that are member of the Bonus platform (Bonus Acquiring),
- increased member workplace-POS field support. By acquiring new POS terminals working with the latest technology, the Bank raised the quality of services and devices offered to member workplaces,
- entered cooperation with different brands and carried out technical developments related to Cash Register Devices (ÖKC) to provide services to its existing and new member workplaces in this area. Türkiye Finans provided more than 1,000 cash register devices to contracted workplaces,
- installed a virtual POS in 468 tax offices of the Revenue Administration (GİB). This enables payments regarding motor vehicle tax, traffic fines and payments within the scope of the omnibus law 6552,
- enables member workplaces to receive POS account statement automatically through e-mail.

Also effectively using non-bank channels.

Türkiye Finans is one of few service providers to employ non-bank channels in the sector. Türkiye Finans reached a volume of TL 1.2 billion with 18 million collection transactions through Faturavizyon (Invoice Vision), a contracted firm, and Ödekolay (Easy pay), the Bank's collection platform brand, in 2014 in invoice collection intermediary services through non-bank channels. Commission income from non-bank channels grew by 22% in 2014.

Hızlı Nokta (Fast Point), which was developed in 2014, is a technological and innovative platform providing service through new generation touch screen devices. This channel aims to ease access for consumers to carry out the transactions that they need, as an alternative to the current bank channels. It carries out the sale and marketing of a wide array of products and services such as invoice collections, tax payments, GSM TL loading and promotion of insurance products.

Volume increases in cash management.

As a result of segmentation conducted in 2014, DBHG (Other Banking Service Revenue) of TL 43 million was generated despite 130,000 real customers who were transferred to other business lines. With this figure, the Company recorded 70% target realization.

A wide array of new applications for retail customers were brought into force with the Law 6502 for the Protection of Consumers, including the following: collecting fees from expertise and mortgage establishment at an amount equivalent to their costs, removing the fee from removal of vehicle pledges and from mortgage releases, limiting the account maintenance fee with one fee for each drawee.



The distribution network of Finansör was expanded in 2014. It was integrated into the HızlıFinansman online platform. This enabled the Bank to receive Finansör applications from contracted distributors while simplifying the use of the application.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Western Union commission income increased with the personnel campaign conducted during the summer months, maintaining its growth trend until the end of year and recording 57% growth. The transition from an offline working system to an online working system will be completed at the beginning of 2015. Collections are expected to increase further in 2015.

Türkiye Finans started collections of 14 new utilities' invoices in 2014. While efforts for the transition from an offline system to an online system were continuing, the Bank recorded a 20% increase in collections of corporations' invoices in 2014. Moreover, Türkiye Finans also started salary payments for health institutions and pensioners.

Through the Bank's channels, customers completed collection payments with the payments of utilities bills (water, electricity, natural gas etc.) and TL 23 million of automatic payment orders in 2014.

The HGS (Fast Pass System) product that customers use for toll roads, bridges and highways reached 47,000 units by the end of 2014.

SSI payments amounting to TL 14 million were completed in 2014 through Türkiye Finans credit cards held by customers.

The income from the CPP Card Protection Plan and ID-Safe products which secure credit card holders in adverse situations (such as loss or theft) increased by 74%.

Campaigns pave the way for an important contribution to personal financing and card volumes.

The Bank set up the data of 1.2 million customers in field work conducted between May and the end of 2014. A total of 672,000 calls were made (call average within the period of 58%) of which 31% were replied to with a positive result. In the retail segment, a deposit balance of TL 312 million, loan balance of TL 12 million and NFG (Net Operational Income) of TL 12 million was booked. The new customer activation rate, which was around 55% in the ongoing campaigns, was increased to 73%.

The Bank carried out a retail vehicle campaign during 2014 and offered advantages to customers to finance 2015 model vehicles. The campaign was started by offering a 5-month no-payment term in the summer period. In line with the massive demand, the campaign was extended in the last quarter of 2014 with the opportunity for a 3-month no-payment term without an assignment fee.

The Campaign continues under the cooperation entered into with Sonax in a structure of 3-month non-payment period with special discounted rates for the new year without an assignment fee. Around 6,000 applications were received for the vehicle financing campaign, with TL 90 million of supply generated from this campaign alone in 2014.

In addition to campaigns made by the Bank or the Bonus Credit Card Brands Sharing Platform, which the Bank is a member of, special card campaigns based of customers' card usage habits and segmentation were offered regularly each month during 2014.

The Bank undertook special campaigns for sectoral spending with the “By Installment” application which provides installments before the statement is prepared on the demand of customers in cash payments through credit cards. Within this context, 71,000 cash shopping transactions through credit cards amounting to TL 31 million were split into installments in the by Installment application in 2014.

Increased sales of insurance products in 2014

New products were introduced within the scope of offering insurance products.

Insurance policies such as Limit Güvence (Limit Assurance) Insurance, Invoice-Credit-Credit Card Unemployment Insurance policies, POS and Online Workplace Fire Insurance policies were introduced in 2014 and reached a certain level of volume.

Within the scope of insurance intermediary activities, the Bank generated TL 77 million of premiums and TL 18.4 million in commissions. When compared to the previous year, insurance intermediary figures grew by 45% in premium generation and approximately 50% in terms of commissions generated.

Türkiye Finans initiated intermediary activities in the Private Pension System (BES) in 2010. The Bank generated TL 2.7 million of commissions, corresponding to 12,313 sale units in 2014. At the end of 2014, the volume of Türkiye Finans’ funds reached TL 69.1 million and the Bank generated a total of TL 6.1 million in commissions.

BAL Account (Cumulative Account) and Physical Gold Trading introduced in 2014.

The BAL Account enables small scale savings through orders from customers’ accounts and credit cards. This participation account promotes savings with a minimum maturity of 5 years.

BAL Account is a deposit product that provides customers to save easily. This account may be opened in USD or EUR terms. The Bank maintains its efforts to make this account available with precious metals.

The Bank started physical gold trading in April 2014. Customers seeking to invest in gold can trade it on a gram basis with the Gold Account. Türkiye Finans, through its branches, allows all customers - whether or not they have accounts in the bank - to trade gold in amounts from 1 gram to 100 grams, that is produced by the Istanbul Gold Refinery and which has a logo, safety and package.

Türkiye Finans generated a total of TL 1.17 million in commission volumes from investment products (Equity Market transactions and investment fund trading) whose marketing activities are conducted under BMD (Bizim Securities) during 2014.

TL 90 million

The Bank carried out a retail vehicle campaign within 2014 and offered customers financing support for 2015 model vehicles. A total of TL 90 million in loans were extended in 2014 through the campaign.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Our multi-channel strategy contributes significantly to the customer experience.

ATM Banking

With the aim of expanding the ATM network, Türkiye Finans increase the number of non-branch ATMs from 69 to 154 with the investment undertaken in 2014. The total number of ATMs, on the other hand, jumped from 415 to 530, with 28% growth.

The number of financial transactions undertaken through ATMs increased by 27% when compared to the previous year.

The Bank changed the current ATMs with fully functioning ATMs in addition to taking the necessary actions for ATMs where the usage performances are not at the sufficient levels. By doing so, Türkiye Finans increased its customer experience and efficiency.

On the other hand, the Bank maintained its infrastructure investments to offer more qualified and uninterrupted services. Additional security applications were put into practice to increase ATM security and protect customers from fraud.

Internet Banking

Türkiye Finans carried out campaigns to provide several rewards and discount opportunities to attract customers and increase transaction volume in the Internet Branch in 2014.

The number of Türkiye Finans' internet banking customers increased to more than 400,000 as of the end of 2014. The number of financial transactions, on the other hand, grew by 32%.

The number of products sold through Internet Branch stood at 98,000 units in 2014.

Mobile Banking

The mobile branch was the fastest growing non-branch banking channel in terms of the number of customers and transaction volume in 2014. The investments in the mobile branch continued in 2014.

The mobile branch application offers services for Android and iPhone operating systems. This application was enriched with an array of new functions such as investment transactions, equity share, fund trading, motor vehicle tax payment and English language support.

A mobile banking application developed specially for mobile devices with the Windows operating system, was also offered in the Windows Phone Application Store.

The number of financial transactions conducted through mobile banking in 2014 grew by 287% compared to the previous year. The number of downloads of applications that were developed for mobile devices with iPhone, Android or Windows Phone operating systems exceeded 100,000.

Customer Contact Center

The Türkiye Finans Customer Contact Center provides services with the principle of continuous innovation and transforming technology into a positive customer experience. This center continued to offer its value added services, increasing customer satisfaction and loyalty in 2014.

The Customer Contact Center contacted customers through a total of 6 million calls in 2014. It recorded sales of 240,000 units, with its speed, quality and customer satisfaction oriented approach, by introducing customers with products in line with their needs.

The mobile branch application, available for Android and iPhone, was enriched with a wide array of new functions such as investment transactions, equity shares, fund trading, motor vehicle tax payments and English language support.

2014 was a renewal and change year for Türkiye Finans Customer Contact Center which continues realizing leading projects in banking sector.

Within the scope of Customer Contact Center Optimization Project, all processes and flows were restructured to enhance the efficiency, speed and excellence of the customer experience.

- The voice response system was renewed with new generation technologies as well as easy and user friendly features. The Bank covered in the scope of service, several easinesses and new features such as customers' need are analyzed and they are directed to right process step thanks to calling customers with their names by recognizing them, directing them to specialist customer representatives with two different voice response systems - the commercial and retail and customer recognition systems.
- Türkiye Finans brought its Biometric Voice Signature (SeSİM) application into practice. With this application, the average duration of each call was reduced by 9% and customers were provided with a faster and more secure service. This application also contributed to the customer experience by enabling transactions without requiring personal information to be shared.
- The "E-reminder" gathers e-mail and SMS notifications to Non-Branch Banking customers regarding products and services. The "E-reminder" was offered to all Türkiye Finans

customers following development efforts. The Bank was thus able to provide operational efficiency, primarily with respect to reducing the number of calls by Branches and the Customer Contact Center and to gain capacity.

- Within the scope of Centralizing Branch Calls Project, the Bank continued its improvement efforts in 2014. Customer satisfaction increased significantly. A number of activities were put into practice enabling customers to access branches in an easier manner. The rate of branch call response increased by 51%.

The Türkiye Finans Customer Contact Center holds the EN 15838:2009 certificate (Customer Contact Centers Service Standard). EN 15838 is a management system standard which sets out special conditions for call centers, has international validity, and defines management system requirements and technical conditions for providing call center service.

Our goal is to improve customer experience.

Türkiye Finans operates in line with the ISO 10002:2004 Customer Satisfaction Management Standard.

ISO 10002:2004 is a management system which enables enterprises to meet customers' expectations and which is composed of required conditions regarding creating a system for customer satisfaction by evaluating customer complaints under a defined approach.

Türkiye Finans successfully passed the documentation inspection in 2014. The Bank works to further improve the Customer Satisfaction System with the aim of increasing service quality and efficiency as well as raising the customer experience to the highest possible level.

Barkod okutarak fatura ödeyen Mobil Şube.



Türkiye Finans Mobil Uygulaması

Available on the App Store

Şubeyi telefona sığdırdık.

Siz de iPhone için hazırladığımız özel uygulamayı indirin, elinizin altında çok marifetli bir Banka şubesi olsun.

• Kullanım kolaylığı sağlayan sade menü
• İşlem ve bağlantı ücreti Türkiye Finans'tan

Phonunuzda QR kod okuyucu yoksa; yukarıdaki QR kodu kullanarak Mobil Şubeyi indirebilirsiniz

An Assessment of Türkiye Finans' Activities in 2014 their Results

Türkiye Finans maintains its efforts to determine areas of improvement through its Customer Experience and Multi-Channel Strategy Project. These efforts are summarized below.

- The Bank has been launching required applications to offer and maintain customer experience by taking into account the results of the analysis into the customer experience components for service channels. These applications are shaped on the basis of the Türkiye Finans Customer Constitution which was formed and shared with all employees and customers last year.
- Türkiye Finans' sales and service model was restructured. The Bank changed the organizational structure of the branches as well as the structure and number of regions. In doing so, their performances were monitored within the year. The Bank practices improvement areas and process improvements regarding products. A 2015 Work schedule for improvement areas was prepared.
- Türkiye Finans redesigned the complaint management process. The Customer Experience Management Report started to be published through which the improvement trend of service quality can be monitored within the corporation. The 2015 work schedule for areas of continuous improvement regarding customer improvement was prepared.
- Response speed was increased with the improvements made in customer complaint management. Türkiye Finans enables customers to access the Bank through several channels. Notifications are replied to objectively. In the last 4 months of 2014, Türkiye Finans was ranked in first place among participation banks in the complaint index prepared by the ŞikayetvarCom website on the grounds of criteria such as the speed which complaints were resolved, satisfaction and the size of the firm.
- Türkiye Finans enables rapid access to branches, which is one of the factors affecting customer satisfaction. The Bank changed the exchange infrastructure and formed a monitorable and reportable structure.
- Questionnaire studies were conducted with the aim of continuously monitoring the satisfaction and experiences of internal and external customers, as well as determining areas for improvement. Areas for action were also determined.
- Within the scope of the customer satisfaction survey, Türkiye Finans effected improvements in areas that determined with the data from previous periods. A new questionnaire study was conducted to monitor service quality within the year. The 2014 Secret Customer Survey was completed by visiting each branch six times to observe customer experience in branches and to detect examples based on objective observations.
- Türkiye Finans carried out an Internal Customer Satisfaction Survey with the aim of monitoring internal customers/ employees, who are among the most important sources of customer satisfaction, and to determine actions for areas requiring improvement.
- The Bank defined inter-unit service levels to offer more qualified services by determining standards for services that it offers to internal and external customers.

Türkiye Finans restructured its sales and service model. The Bank revamped the organizational structure of its branches as well as the structure and number of regions with their performances monitored during the year. The Bank identifies area of improvement and effects process improvements regarding its products.

- Within the scope of increasing quality of service given to customer and operational efficiency, effective lobby management and process improvement projects were put into practice. The Bank conducted supportive activities for the use of numerator in branch transactions.
- Türkiye Finans started work on the “simple branch project” with the aim of simplifying services provided in branches, especially regarding operational processes. The Bank also completed needs analysis. Output from the analysis will be realized within 2015 to provide faster and more qualified service to customers and to enable employees work flawlessly with high performance.
- The Digital Signage (Corporate TV) application started to inform customers and/or to change their ideas by channeling them to a certain area. Within the scope of this application, visual content (pictures, digital posters, news, videos, impressive slogans, customer sequence numbers, foreign exchange rates etc.) will be presented to customers and training will be provided to employees.
- Türkiye Finans practiced effective sales projects in branches. The Bank aimed to increase service quality, cross sale activities and profitability and decrease operational risk with CRM Performance scorecard application.
- The Bank provided systematic operability to “Recommendation System” which enables employees to play active roles in the Bank’s development processes. With the aim of promoting recommendations received to contribute the Bank’s development, the process was linked to awarding system.

Reflection of new centralized operation application on services

- Türkiye Finans completed the installation of Expert Foreign Exchange Service by Telephone. This system provides customers with support from the Bank’s expert personnel in foreign trade areas, which customers cannot access in the branches.
- POS statements started to be sent to member workplaces by e-mail.
- The Bank started to provide uninterrupted service for corporate and retail fund supply.
- Türkiye Finans developed new products in line with the New Financial Leasing Law. The most accurate solutions were generated by perceiving customer needs accurately. The Bank started to offer a personal service.
- The Bank regulated approval processes for fund supply. This brought a 133% improvement in the loan supplying time.
- Türkiye Finans carried out improvement works for infrastructure in companies’ salary payment operations. The Bank reached an important level of operational efficiency and minimized the risks. Türkiye Finans also completed its efforts for the safe transportation of negotiable paper.
- The Bank developed new working models for working with suppliers in a more effective manner. The positive results of the project were reflected in expertise processes, leasing operations and card-POS operations.

An Assessment of Türkiye Finans' Activities in 2014 their Results

- The EFT system was encoded on BYS new banking architecture. Improvements were realized in systemic infrastructure. The automatic transfer to account rate increased to 85%.
- The closing time of TL cheque clearing operations was changed from 4.30pm to 5.15pm while the closing time for FC (Foreign Currency) cheque clearing operations was changed from 3.00pm to 4.30pm. In doing so, additional time was provided to customers and branches.

Organizational Changes within the Bank in 2014

Organizational changes carried out in 2014 are summarized below:

- A Methodology change was undertaken with the aim of increasing effectiveness, efficiency and speed as well as ensuring customer-oriented working in projects conducted with BS resource. Accordingly, the Bank switched to agile working method and scrum methodology. The BS business family was restructured within this scope.
- The "Investor Relations Department" which will carry out direct reporting to the Finance Executive Vice President, was formed to fulfill requirements of the Communiqué of Public Disclosures that was put into practice in 23 February 2014 by the CMB. This service was established within the Investor Relations' scope to coordinate the Bank's relations between the main shareholders, current and potential foreign corporate investors, shareholders and credit rating agencies and to provide a proactive, objective, correct, up to date, informative and regular transfer of information concerning the Bank, the banking sector and economic developments to investors and shareholders.
- The "Interest-free Banking Application and Development Service" was established with the purpose of Conducting product development activities in line with Interest-free Banking principles, managing relations with the current "Interest-free Banking Advisory Committee", following whether applications comply with the principles of Interest-free Banking, providing employees with training concerning Interest-free Banking and its products, visiting branches and customers to inform them of Interest-free Banking and its products, and representing the Bank to discuss Interest-free Banking with non-bank institutions.

TFXTARGET achieved more than 100% growth in the 2-year period and the level of customer satisfaction indicates that the product has been embraced with a strong position in the market.

- Card Security, Member Workplace Security, ADC Security and Application Security were gathered under one roof in an effort to effectively tackle forgery and fraud in the Bank and to reduce risks. These operations were structured in the Payment Systems Operations Department under the name of the "Product and Customer security (Fraud) Service".
- A "Market and Economy Analyst" position, which would have reported directly to the Head of the Treasury Department was repositioned. Accordingly this position will now report directly to the "Treasury EVP".
- The name of the "Organization, Capacity Planning and Process Improvement Department" was changed to the "Organizational Development Department". The Business Excellence Service was formed to conduct process optimization projects in line with six sigma methodology, which is more professional and simple in addition to quality and internal legislation, as well as capacity planning functions. In doing so, the unit was restructured in line with the Bank's strategic goals.

Improved profitability and customer satisfaction in Treasury transactions with customer oriented pricing.

Türkiye Finans applied a volume based pricing policy which differs from customer to customer to increase its market share in treasury products in 2014 in line with the Bank's growth strategy.

As a result of this strategy, profitability in foreign exchange transactions was increased while customer satisfaction was raised to higher levels.

The transaction volume of foreign exchange transactions conducted with customers in Türkiye Finans stood at USD 38 billion while transaction volume in the interbank market reached USD 63 billion.

More effective Asset-Liability Management

Türkiye Finans completed the integration of the Asset-Liability Management Static Analysis software to optimize the Bank's profit and track maturity mismatch on a maturity basis in 2014. In addition, the Bank also ensured the formation of analysis and reports that will support the Asset-Liability Committee's decision making process.

According to results of reports and analyses, Türkiye Finans actively uses on-book and off-book Islamic treasury risk management products to protect against risks that may occur as a result of maturity mismatch and that are held on the Bank's balance sheet.

The Asset-Liability Management Dynamic Analysis software was completed at the beginning of 2015. Volume and profitability scenario analysis will start for the decision making processes.

TFXTARGET leading the sector in foreign exchange transactions

Türkiye Finans' FX platform, which was put into practice in 2012, maintained its rapid growth in 2014 with its customer oriented structure.

TFXTARGET provides effortless and straightforward foreign exchange transactions 24 hours a day, 5 days a week.

TFXTARGET continued to be a leading application in the banking sector.

TFXTARGET has achieved more than 100% growth in the 2-year period as well as high levels of customer satisfaction, indicating that the product is embraced and commands a strong position in the market.

Türkiye Finans launched www.tfxtarget.com.tr in 2014 to support the TFXTARGET platform and to reach a wider mass. This website is primarily a channel to share market oriented information and has a great deal of value added for the transaction platform. The website, which was launched in the last quarter of 2014, attracted more than 50,000 visitors and achieved an important success in its own area.

In 2015, chart support will be added to the product to develop the Bank's transaction platform. In addition, improvements have been put in place, enabling forward foreign exchange transactions. With this addition, customers may carry out all foreign exchange transactions 24 hours a day, 5 days a week, without the need for bank personnel.

Fitch affirms Türkiye Finans' credit rating which was "BBB".

Fitch, an international credit rating agency, affirmed Türkiye Finans' long term foreign currency credit ratings as "BBB" with a 'stable' outlook as a result of the evaluation made in 2014. The National credit rating was determined as AAA (tur) with a 'stable' outlook.

Fitch's evaluation report mentioned that the strong support of National Commercial Bank (NCB), Türkiye Finans' biggest shareholder, was important and that NCB placed strategic importance on Turkey.

Important results from strong relations with financial institutions

Türkiye Finans further strengthened its relations with financial institutions in 2014. The Bank showed it can sustain its performance in fund procurement and foreign trade intermediary in every conjuncture.

The Murabaha Syndication and two sukuk operations carried out in 2014 serve to confirm the international financial markets' trust in the Turkish economy and Türkiye Finans.

59% increase in funds supplied from international sources

Türkiye Finans' borrowing from international sources increased by 59% to USD 3.7 billion by the end of 2014 from the USD 2.4 billion at the end of 2013.

The average borrowing maturity increased by 16% to 1,130 days by the end of 2014 from the 970 days at the end of 2013.

The investor base was extended in 2014, with the Bank obtaining resources from more than 40 financial institutions in 20 countries. The share of non-deposit borrowing in total borrowing increased to 26% by the end of 2014, from the 20% at the end of 2013.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Türkiye Finans obtained a USD 350 million (USD 253.5 million and EUR 72 million) International Murabaha Syndication in 2014.

21 banks from 12 countries participated in the 1 year maturity loan. The co-leaders of this syndicated loan were ABC Islamic Bank (E.C.), Abu Dhabi Commercial Bank PJSC, Emirates NBD Bank PJSC, Noor Islamic Bank PJSC and Standard Chartered Bank.

Türkiye Finans carried out two important sukuk issuances to international institutions through TF Asset Leasing, its 100% subsidiary, in 2014.

Türkiye Finans conducted a USD 500 million sukuk issuance in 2014, in what was the second biggest sukuk issuance conducted in Turkey to international institutions following the Turkish Treasury's issuance. International investors displayed a high level of interest in the sukuk issuances, with 127 investors placing bids. The issuance was 2.8 times oversubscribed with demand amounting to USD 1,405 million received.

Türkiye Finans was the first Turkish institution to issue a sukuk amounting to MYR 800 million with a 5 year maturity. In addition, Türkiye Finans conducted the largest MYR sukuk issuance to be undertaken by a foreign institution.

This operation was conducted within the scope of the sukuk issuance program formed in the Malaysian market with a 20 year maturity and amounting to MYR 3 billion. This represented an evolution for the Turkish Banking sector as it was the first step in Malaysia, which is the world's largest and most active sukuk market.

Türkiye Finans carried out several murabaha operations with a number of banks through bilateral limits in 2014, in addition to the murabaha syndications and sukuk issuances.

The Bank continues to work for foreign currency sukuk issuance and TL domestic lease certificate operations in 2015. Türkiye Finans aims to reach USD 3.8 billion in non-deposit resources in addition to resource agreements which will be renewed in 2015.

We are increasing our weight in financing foreign trade.

Economic contraction in European Union which is Turkey's biggest foreign trade partner continued in 2014. Turkish companies are successful in diversifying markets and they increased their export/import activities to Gulf and African countries.

As part of foreign trade intermediary operations, Türkiye Finans increasingly offered service to exporters/importers and customers providing infrastructure services in Gulf countries that the Bank's main shareholder, NCB, is active in.

Türkiye Finans stepped up its efforts to establish a correspondent relations infrastructure and limit allocations regarding customers' demands for confirmed export operation in Africa. Türkiye Finans' recognition and credibility in the presence of correspondent banks enhances with each passing year. The Bank carried out foreign trade transactions with local and global correspondent networks within the framework of international rules and standards in 2014. Türkiye Finans provided, within the limits of agreements signed for foreign trade financing, long term resources as part of the GSM-102, SEP, ECA and the ITFC to customers who were importers.

The SEP operations limit was raised from USD 35 million to USD 60 million. The market share in these operations grew in line with the increase in the limit.

As part of its foreign trade intermediary operations, Türkiye Finans has offered an increasing level of service to exporters/importers and customers providing infrastructure services in the Gulf countries, where the Bank's main shareholder, NCB, is active.

GSM-102 and ITFC limits amounting to USD 100 million and USD 25 million, respectively, were priced in the most efficient manner and provided to customers.

Türkiye Finans' foreign trade volume reached USD 27 billion in 2014, up from USD 22.5 billion in 2013

In line with the increase in transaction volume, the Bank unwaveringly maintains its efforts to improve current transaction limits and to add new correspondent relations to the current network

Türkiye Finans' market share in foreign trade transactions stood at 2.60% at the end of 2014.

Strong structuring in Information Systems (IS)

Information Systems contributed Türkiye Finans' growth in 2014 with its efficient demand management, project portfolio with job control, new resources regarding master plan projects and the Scrum framework.

In 2014:

- Türkiye Finans maintained its efforts for cloud computing and virtualization. Türkiye Finans reached a virtualization rate of 86.7%, marking an increase of 3.2%. The Bank is among the sector's leaders in the virtualization area.
- The Bank exceeded the SLA targets in solving incidents and demands while shortening the solution periods significantly.
- SLA coherence rate in resolving end-users' IS related problems increased to 99.70%. End-user and customer satisfaction improved, decreasing the solution time of meeting demands by 69%.

IS Agile Transformation

Türkiye Finans initiated Agile Transformation activities at the end of 2013. Following preliminary preparations, training activities started in May 2014 within the scope of the selected Scrum infrastructure.

In Agile Transformation, which is a first in Turkey's information technologies sector, training was provided for 3 months, a record period, to 300 employees including the entire IS organization, the General Manager, Executive Vice Presidents, outsourcing companies and business units, who then received PSM1 certificates.

Team structures were organized in line with Agile Transformation. The biggest Agile Team in Turkey and Eastern Europe was formed with 48 project and Scrum teams.

With the transformation, the target of completing projects on time increased by 15% in the first 3 months.

Turkey's first and only data center to hold TIER III Design and TIER III Facility certificates

The Türkiye Finans Data Center is a fully backed up data center which features state-of-the-art technology.

The backup center ensures the continuity of the data center, which was designed for uninterrupted service. The Data Center, which was structured in line with Green IT criteria, is one of the best data centers in Turkey and Europe.

In Agile Transformation, a first in Turkey's IT sector, training was provided for 3 months, a record period, to 300 people including the entire IS organization, the General Manager, Executive Vice Presidents, outsourcing companies and business units who were then awarded PSM1 certificates.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Data Center received certification for compliance with Tier III Design standards in April 2013. It is our country's second and the sector's first data center to hold this certificate.

As a result of on-site inspection which was completed in November 2013 by the Uptime Institute (the USA) that examines data centers according to international standards, Türkiye Finans obtained our country's first and only Tier III Facility Certificate.

Türkiye Finans' environmentally friendly Data Center:

- offers a high level of security and instant watch and control function of conditions such as electricity load, heat and moisture.
- provides high effectiveness in energy usage. The Energy measurement ratio/PUE (Power Usage Effectiveness) stands at 1.6, well below the average for Turkey and Europe.
- is one of our country's most environmentally sound data centers with energy savings of up to 50% compared to a standard data center, and with half the carbon emissions.
- has an infrastructure which has the capability to expand and which can support the Bank's sustainable growth.

Türkiye Finans Data Center paves the way for USD 200,000 in annual energy savings with these features.

The center offers fully backed-up energy and cooling infrastructure, simultaneous maintenance, uninterrupted operations for 72 hours independent of the network.

The banking sector's first and only business continuity certificate

Türkiye Finans complies with Business Continuity Management System international standards and holds the ISO 22391 Business Continuity Certificate. Follow-up inspections conducted by the British Standards Institute (BSI) confirmed that the Türkiye Finans Business Continuity Management System complied with international standards.

Türkiye Finans is still the only bank in the Turkish banking sector to hold this certificate. The success rate in business continuity tests at Türkiye Finans in 2014 showed an increase when compared to the previous year, to stand at 100%.

Follow-up inspections conducted by the British Standards Institute (BSI) confirmed the compliance of Türkiye Finans' Business Continuity Management System with international standards.

CIO reward goes to Türkiye Finans for the second time.

Türkiye Finans received the CIO reward for the second time in the CIO Rewards 2014, organized by the CIO Magazine for the fifth time in 2014.

The reward program gathers more than 200 technology managers. Türkiye Finans received the CIO Reward for its Agile Transformation project.

Moving together to shape the infrastructure of the future...

Within the scope of program, Türkiye Finans continues work on the modernization and development of IS infrastructure with the support of business strategies and the IS Transformation Program that started in 2013.

The goals of the 3-year IS Transformation Program are summarized below:

- Providing an integrated and uninterrupted customer experience through multiple channels,
- Increasing service and operational efficiency,
- Decreasing product development costs and moving towards rapid production,
- Improving channel abilities,
- Improving CRM abilities and customer orientation,
- Improving sales effectiveness and campaign management,
- Adding new competencies in banking applications and IT infrastructure

Corporate communication campaigns create an impression.

Türkiye Finans maintained its intensive communication activities in 2014 within the framework of the 360 degree continuous communication strategy. Türkiye Finans employed celebrities to be the face of the Bank in advertisements for the first time in the history of the Bank as part of its 2014 corporate communication activities. Advertising campaigns for Finansör, which included Arda Turan - a star player of the national team and Atletico Madrid - and Faal Kart starring Alex De Souza - Brazilian football player loved by all football fans in Turkey, attracted a great deal of interest from customers and potential customers. These campaigns significantly contributed to the improvement in the Bank's popularity.

In 2014 Türkiye Finans diversified the media channels in which communication activities appear. Advertising campaigns appeared in national and local TV channels, radio stations, the internet, newspapers, magazines, outdoor billboards, stadia and other channels throughout the year. Advertisements were placed on the football pitches of teams in the Super League with the agreements entered into for the 2014-2015 football season. In addition, Türkiye Finans made an impression in football events which were closely followed throughout the year. The Bank reached large masses through pre-match, half-time and after-match advertisements in live broadcasts for the 2014 World Cup and 2014 Ziraat Cup. As a result of these communication activities, the total access value of Türkiye Finans advertisements increased by 120% when compared to 2013.

The twice-annual impact survey and corporate perception survey at the end of the year were carried out. The results of the surveys found that the Bank's popularity and appreciation level increased in line with the rate of advertising when compared to previous years. It was observed that using celebrities in advertising campaigns increased interest in the Bank's products and services, and positively supported the Bank's popularity.

Türkiye Finans' reputation in the presence of media institutions remarkably increased as a result of effective leader communication, PR and communication activities carried out in 2014. Accordingly, news about the Bank appeared in more quantitative broadcasts with bigger circulation, on more visible points with larger sizes. As a result of this, the equivalent of news about Türkiye Finans on printed media increased ten-fold when compared to 2013. Türkiye Finans maintained its position as a bank asked for opinions by the media in 2014.

The Bank participated in several fairs and seminars and carried out a number of field events throughout the year. In these events, the Bank demonstrated efforts to raise the popularity, recognition and reputation of the Bank and its products to its customers.

The Bank's 2014 Annual Report was rewarded in 6 categories in the most prestigious competition of this field, which is organized by League of American Communications Professional.

Active communication in digital and social media

2014 was a year in which Türkiye Finans formed the brand's strategy in digital and social media, sought to create popularity and realized the first digital activities. In parallel with its advertising campaigns, planning of a digital campaign and sponsorships specific to digital media were also carried out. In doing so, the Bank sought to reach a target audience in digital media, and increase the brand's popularity.

Türkiye Finans created accounts on Facebook, Twitter, Youtube, LinkedIn, Google+, Daily Motion and İzlesene in 2014. The Bank worked to increase its number of followers on these accounts and started to carry out customer management through these platforms. Türkiye Finans listened to recommendations, demands and complaints of customers and potential customers through these platforms and offered solutions accordingly. At the end of 2014, the Bank reached its targeted number of followers on the Facebook and Twitter accounts, with the number of followers increasing by 379% on Facebook and 482% on Twitter when compared to the first months of the year, when the Bank started active communication on these platforms. Türkiye Finans climbed to 34th and 18th places on Facebook and Twitter rankings, respectively, in the Social Bakers' finance sector report.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Türkiye Finans started work on a New Corporate Website Project in 2014. In this project, the Bank aimed to renew the infrastructure of the current corporate website and create an infrastructure in which products and services could be presented more clearly and which could be transformed into an application channel. The new corporate website, which has been improved such that it will meet the needs of those visiting the website more effectively, is planned to be activated within 2015.

Our sustainability approach and its applications

Türkiye Finans defines its sustainability strategy which will help it to meet its corporate goals on two main axes: good banking and good corporate citizenship.

Türkiye Finans' sustainability strategy is focused on achieving good results in its core business and in the presence of society. The Bank's goal is to enhance its contribution to society by being a good citizen while practicing the best banking applications.

Türkiye Finans, as a responsible corporate citizen, primarily follows its stakeholders closely but also keeps abreast of initiatives conducted on sustainability issues in Turkey and the world, shares its opinions and puts the regulations required in its service cycle into practice. All decisions and actions taken by the Bank are aimed at serving the needs of a sustainable future.

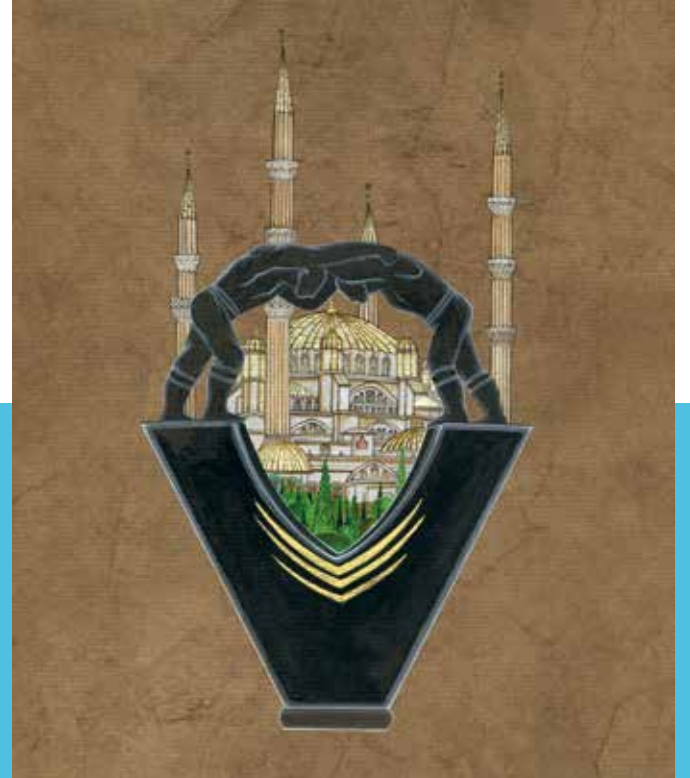
Türkiye Finans' sustainability approach considers not only economic but also environmental and social performances. Türkiye Finans adopts this general approach as a part of its corporate culture. Thanks to this approach, the Bank will maintain its efforts to increasingly adopt sustainability and to create value accordingly.

Türkiye Finans' sustainability strategy, which will help it to reach its corporate goals, is defined on two main axes - good banking and good corporate citizenship.

Turkey's first Sustainability Report among deposit and participation banks to be granted a grade A+ by the Global Reporting Initiative (GRI)

Türkiye Finans' 2013 Sustainability Report was the first and only report to have been graded A+ by the GRI among Turkish banks which have right to collect deposits.

Türkiye Finans provided extensive coverage to the Kırkpınar Oil Wrestling Tournament, one of the Bank's Corporate Social Responsibility (CSR) projects, in the Bank's and Participation Sector's first A+ graded Sustainability Report.



Türkiye Finans adopts a Corporate Social Responsibility strategy which is in line with the expectations of society and which contributes to economic growth as well as social development. In addition to offering products and services with a high level of quality and diversity, Türkiye Finans also aims to contribute to Turkey's sustainable development through non-profitable social investments.

Through the support it extends to the Kırkpınar Oil Wrestling Tournament, the Bank believes that it plays an important role in transferring our cultural values to future generations.

Other activities

In line with the aim of supporting real sector, Türkiye Finans was a sponsor of the Anatolian Brands Contest for the third time in 2014 to contribute to the promotion of the brands of Turkish companies.

Türkiye Finans extended its sponsorship for a year in the Dialogue in the Dark exhibition which it started in 2013 to raise consciousness of social citizenship. In 2014, the Bank maintained its support for the Mobile Downs Cafe, in which teenagers who suffer from Down's syndrome work. Türkiye Finans supported the "Rescuing a Life Chain Collective Hear Massage" events staged by the Hayatta Kal (Stay Alive) Association in 2014 to indicate the importance of public awareness, primarily in first aid but also in health.

Türkiye Finans is aware of its responsibility to promote environmentally friendly renewable energy resources. Accordingly, the Bank participated in the "Anatolian Sun Generates Energy" fair - in which national and international representatives of energy sector participate - as a sponsor. The Bank maintained its efforts to raise awareness in this area with its products for financing renewable energy investments.

Türkiye Finans also unabatedly carries out its social responsibility activities in the field of education. Within this context;

- Türkiye Finans supported the Children and Youth Center of the Governorship of İstanbul. Projects were initiated with the aim of raising children who have faced social problems as individuals who are beneficial to the society. In the first step, activities for socialization of teenagers and increasing their motivation were practiced by improving the physical conditions of the Center.
- The Bank supported the "Darüşşafaka Kitapcan Velisi" project which was conducted for the first time in 2014 in cooperation between "Herkes Her Yerde Kitap" (A book for everyone, everywhere) Foundation and the Darüşşafaka Society.
- Türkiye Finans was the main sponsor of the Midtown Orchestra's concert in Bodrum held in aid of education.

Türkiye Finans will continue to take steps that contribute to the values and culture of the society in which it springs to life.

Detailed information about Türkiye Finans' sustainability applications can be found in the 2013 Sustainability Report 2013 on <http://www.turkiyefinans.com.tr/surdurulebilirlik/tr/index.html>

In line with the aim of supporting the real sector, Türkiye Finans was a sponsor of the Anatolian Brands Contest for the third time in 2014, contributing to Turkish companies' branding.

An Assessment of Türkiye Finans' Activities in 2014 their Results

Our road map for sustainability

In addition to recording steady financial results, Türkiye Finans continues to take active roles in issues that are of critical value for the future of our country. The Bank increased the support which it extends to the real sector within the scope of support for economic development. Türkiye Finans also offers innovative products and campaigns within the scope of following activities:

- protecting the environment,
- financing renewable energy investments,
- increasing public awareness of energy efficiency

On the other hand, there was important progress in the value that Türkiye Finans generates for society with its systematic investment in human resources and corporate social responsibility projects.

Resources, especially energy resources, efficiency and initiatives derived from following points will continue to increase new business opportunities for banks going forward: tackling climate change, transition to domestic and renewable energy resources, low carbon economy. These developments will propose very detailed responsibilities and growth opportunities as agenda items for financial service providers. The degree of environmental and social risks will also determine the competition and therefore the success, as much as the value that financial products and services offered.

Under the spotlight of responsibilities, Türkiye Finans:

- will continue to support individuals, entrepreneurs and companies with competitive solutions who offer strong value proposals.
- expects that it will manage direct and indirect environment impacts in a healthier manner within the scope of Environment Policy which will be developed. The Bank also believes that it will meet goals on a global scale.
- plans to practice projects which will have a more significant social impact on the axis of social responsibility. Within this context, the Bank maintains its efforts on new and exciting projects.
- aims to maintain its strong structure in the sense of governance, with unwavering compliance of legislation. The Bank also aims to fully meet the current requirements of risk management.

The value that Türkiye Finans generates for society posted an important level of progress with the bank's systematic investment in human resources and corporate social responsibility projects.

Türkiye Finans' Plans for 2015

Our fundamental strategic initiatives and priorities to reach our targets for 2015

Our Bank's corporate strategy is gathered under the roof of ethical banking. The strategy outlines the following steps, which are aimed at increasing our revenues and efficiency: to excel in areas where the Bank is strong, the development of new products and services, to increase the number of branches, and the diversification of financial resources.

Our Bank determines its roadmap around increasing in sustainable growth and customer satisfaction within the context of the 6 main strategic priorities set out below:

- Increasing the market share of funds collected and realizing growth in funds extended to customers, especially in the retail and entrepreneur segments.;
- Developing new products, developing the infrastructure required to support product, sales and credit tools in line with customers' needs; and improving sales capabilities.
- Expanding the branch and ATM network, improving channel competency
- Increasing efficiency
- Restructuring of IS infrastructure in a way that it supports multi-channel banking and provides unproblematic integrated customer experience within the scope of the 3-year program
- Improving the customer experience which is shaped by the sales-service model, processes and channels

Türkiye Finans has laid out a five-year plan setting out strategic priorities under which it has redefined its goals and growth roadmap. As called for in that plan, the Bank is currently undertaking a variety of projects with a customer oriented approach and carrying out important progress aimed at further developing its technological infrastructure, business processes and service approach.

Research & Development: New Services and Activities

Activities that were conducted by the Türkiye Finans R&D Center in 2014 are summarized below:

- Türkiye Finans continued development work on the project entitled “The Dynamic Analysis, Color Coding, Close Monitoring and Scoring System to Determine Customer Risks” which was deemed worthy of support within the framework of TÜBİTAK’s Technology and Innovation Support Program. The completed parts of the project were implemented with TÜBİTAK’s support.
- The Bank maintained consultant process consultancy activities, which were initiated in the management of R&D activities.
- The Bank continued to employ part-time 3rd and 4th year university students in various projects and supported work within the framework of the “TFKB (Türkiye Finans Participation Bank) R&D Center Part-Time Support Engineer Program”
- Türkiye Finans continued cooperation with universities and participated in scientific and sectoral activities.
- The academic essay entitled “The Importance of Backward Looking Compliance in Banking Software Architecture Transformation Projects” successfully passed reference evaluation within the scope of 30th Information Workshop by the Informatics Association of Turkey. This paper was presented in the Workshop and published in its guidebook.
- The essay entitled “Solutions for Cooperation for Heterogeneous Corporate Information Systems: Aydos” which was recommended by our software development teams was accepted to the Academic Informatics 2015 Conference and was added to the program.

Convenience Translation into English of the Compliance Opinion Related to Annual Report Originally Issued in Turkish

To the General Assembly of Türkiye Finans Katılım Bankası AŞ

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye Finans Katılım Bankası AŞ ("the Bank") as of 31 December 2014 with the audited financial statements as of and for the year then ended. This annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on whether the financial information included in the annual report is consistent with the financial statements expressed in the auditor's report dated 13 February 2015 based on our audit.

We conducted our audit in accordance with the regulations on preparation and issuance of annual report in (Turkish) of Banking Law No 5411 and Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and Article 397 of Turkish Commercial Code ("TCC") no. 6102. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the financial information presented in the annual report is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information presented in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Türkiye Finans Katılım Bankası AŞ as of 31 December 2014 in accordance with the effective regulations described in article 40 of Banking Law No 5411 and includes Independent Auditor's Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about Türkiye Finans Katılım Bankası AŞ's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative



Alper Güvenç, SMMM
Partner

6 March 2015
İstanbul, Türkiye





the first and only

As a result of the on-site inspection, which was completed in November 2013 by the Uptime Institute that examines data centers according to international standards, Türkiye Finans obtained our country's first and only Tier III Facility Certificate.

A change in methodology was undertaken with the aim of increasing effectiveness, efficiency and speed as well as ensuring customer-oriented working in projects conducted with BS resource. Accordingly, the Bank switched to an agile working method and scrum methodology. The BS business family was restructured within this scope.

Board Members and Audit Committee



MUSTAFA BOYDAK
Chairman



SAEED MOHAMMED A. ALGHAMDI
Vice Chairman



HALİL CEM KARAKAŞ
Board Member



OĞUZ KAYHAN
Board Member and
Chairman of the Audit Committee



KHALID MALIK ALSHARIF
Board Member



LAMA AHMAD M GHAZZAOUI
Board Member and
Member of the Audit Committee



V. DERYA GÜRERK
Board Member and CEO

MUSTAFA BOYDAK

Chairman

Born in 1963, in Hacilar, Kayseri. He holds BS degree in Business Management from Muğla University (Turkey). Between 1987 and 1989, he worked as Manager at various departments of Hes Kablo. Between 1990 and 1992, he worked as Purchasing Manager at Hes Kablo and as Board member at İstikbal Mobilya A.Ş.. Between 1992 and 1995, he worked as Board Member at Anadolu Finans Kurumu, and in 1993 as Board Member at Merkez Çelik A.Ş. In 1997, he was Board Chairman of Merkez Çelik A.Ş.; in 1996, Board Member at Boytaş A.Ş.; in 1999, Chairman at Anadolu Finans Kurumu and CEO at HES Kablo following the shareholding structure change in former HES Group. Upon restructuring of the Group as Boydak Holding, he was assigned as Board Chairman, while he was the CEO of HES Kablo. Since 2003, he has been Vice-Chairman of the Board of Boydak Holding and Board member in various companies of the Group together with the aforementioned two positions. Since 2006, he has been Board Chairman at Türkiye Finans Katılım Bankası A.Ş.. He has been a member of the Turkish Industrialists and Businessmen's Association (TUSIAD) since 1998 and Chairman of the Kayseri Chamber of Industry since March 2005; member of High Coordination Council of Turkish Union of Chambers and Commodity Exchanges. Mustafa Boydak knows English, and he is the member in various professional associations.

Total banking and professional experience is 27 years.

SAEED MOHAMMED A. ALGHAMDI

Vice Chairman

Born in 1963 in Al Ramadah, Saudi Arabia. He holds BS degree in Science and Computer Engineering from King Fahd University of Petroleum and Minerals in 1987. He began his career in 1987 with the Ministry of Defense and Aviation and then he commenced his career with Al Rajhi Bank in 1991, where he progressed in a number of jobs to assume later between 1998 and 2012 several leading positions including and respectively; Chief Information Officer (CIO), Chief Operating Officer (COO), General Manager - Retail Banking Group, and Vice President of Al Rajhi Bank. He also was a Board Director of: "Al Rajhi Bank - Malaysia", "Al Rajhi Capital", "Al Rajhi Takaful." During 2012 and 2013 he worked as an advisor to H.E. the Governor of the Saudi Arabian Monetary Agency (SAMA), and as an advisor to the Chairman of the Board of Directors of the "The National Commercial Bank." He became the CEO and member of the Board of The National Commercial Bank in March 2013. He is the Vice Chairman of the Board at Türkiye Finans Katılım Bankası since March 2013.

Total banking and professional experience is 27 years.

KHALID MALIK ALSHARIF

Board Member

Born in Jeddah, Saudi Arabia in 1964. AlSharif Khalid AlGhalib is a recognized figure in the banking industry in the Kingdom of Saudi Arabia. He has 28 years of extensive banking experience ranging across investment and commercial banking. An MBA graduate from the College of Notre Dame in 1985, he started from the Investment Services of Riyad Bank in 1986 to become the Executive Vice President in charge of the Kingdomwide Branch Network in 1999. In 2000, he joined The National Commercial Bank (NCB), the largest bank in Saudi Arabia, where he is currently Senior Executive Vice President and Group Head of Corporate Group. Prior to this position, AlSharif Khalid was Group Head of Retail Banking, Division Head of Private Banking, Head of Retail Distribution and Head of Customer Management Group. As Group Head of Corporate Banking, he oversees major divisions of the bank which includes Corporate Banking, Specialized Finance, Financial Institutions, SMEs and Finance Restructuring. As a professional executive and banker, he serves as board member of several business and financial institutions both locally and internationally. Since May 2013 he is the Board Member of Türkiye Finans Katılım Bankası.

Total banking and professional experience is 28 years.

OĞUZ KAYHAN

Board Member and Chairman of the Audit Committee

Born in Denizli in 1966. He graduated from Department of Economics, Faculty of Political Sciences, Ankara University in 1986. He holds an MA degree in Accounting-Finance from Gazi University. In 1987, he started his career in the Undersecretariat of the Treasury as Junior Sworn-in Bank Auditor. Between 1998 and 2001, he served as Vice President of the Board of Sworn Bank Auditors. In this period, he worked as the Chairman of the Board of Sworn Bank Auditors by proxy for 9 months. Between 2001 and 2006, he served as the Department Head across several departments within Banking Regulation and Supervision Agency. During his role as Board and Audit Committee member in Ziraat Bankası between 2007 and 2012, Mr. Kayhan also served as a Board member in various domestic and foreign affiliates of the bank. Beside his role at Ziraat Bankası, he worked in Arab Turkish Bank as Board member between July 2011 and March 2012. Since September 2012, he serves in Türkiye Finans Katılım Bankası as a Board member and Chairman of the Audit Committee.

Total banking and professional experience is 27 years.

LAMA AHMAD M GHAZZAOUI

Board Member

Born in 1975, in Beirut, Lebanon. She holds a Bachelor's degree in Accounting from the Lebanese American University in 1996 and, in 2000, she obtained her CPA accreditation and membership to the AICPA (American Institute of Certified Public Accountants) from the State of Colorado, USA. She started her career as an external auditor in Deloitte & Touche in 1997. Lama began her association with The National Commercial Bank (NCB) in 2003 as Senior Financial Analyst and then as Financial Controller in-charge of general finance, budgeting, reporting and control for the Treasury Division. Lama A. Ghazzaoui is the Head of Finance Group at NCB and the leading financial services group in the region. She was appointed to this position in August 2013. Lama progressed to become one of the respected female executives in the Bank and in December 2010, she was appointed the Bank's Chief Accountant. She is a member of the Higher Management Committee, ALCO and Purchasing Committee of the Bank. She is also the Chairman of NCBC's Audit Committee and is a member of CMA Advisory Committee. Concurrently, she has been Board member at Türkiye Finans Katılım Bankası since March 2014.

Total banking and professional experience is 17 years.

HALİL CEM KARAKAŞ

Board Member

Born in Ankara in 1974. He holds a BS degree from the Middle East Technical University, an MBA degree from the Massachusetts Institute of Technology and a PHD in finance from the Istanbul University. He started his career at Koç Holding Group Corporate Strategy division. He continued his career as the Group CFO and Board member of the Erdemir Group between 2006 and 2010. Previously he worked as the Merger and Acquisitions Director at OYAK Group and held various Board membership positions. Since 2010 he has been CFO and Board member in Yıldız Holding A.Ş., since 2013 the Executive Director in Gözde GSYO A.Ş., since March 2014 Board member at Türkiye Finans Katılım Bankası A.Ş.

Total banking and professional experience is 17 years.

V. DERYA GÜRERK

Board Member and CEO

Born in Ankara in 1963. He holds a BS degree from Gazi University and an MBA from the Manchester Business School and University of Wales (the UK). He started his career at Etibank where he worked between 1983 and 1985. He worked at Citibank, Turkey between 1986 and 1996 and at Citibank, New York, USA until 1998. Then he took office as Foreign Affairs Assistant General Manager at Kentbank between 1998 and 2000. From 2000 to 2008 he mainly took responsibilities in the management of business development and corporate transformation projects at Türkiye İş Bankası. Within this period (2003 to 2005), he held the position of Assistant General Manager, and then a Director reporting to the Board Chairman at AVEA, a subsidiary of Türkiye İş Bankası. Between 2008 and 2009, he held the position of CFO and Vice President of the Executive Committee at Dedeman Holding. In 2009, V. Derya Gürerk joined to Türkiye Finans family as Executive Vice President of Transformation and Project Management and as of June 2011, he has been CEO and Board member of Türkiye Finans Katılım Bankası.

Total banking and professional experience is 31 years.

Executive Vice Presidents



ABDÜLLATİF ÖZKAYNAK



ALİ GÜNEY



DURSUN ARSLAN



EROL GÖRGÜN



FAHRİ ÖBEK



İKRÂM GÖKTAŞ



MENDUH KARA



OSMAN ÇELİK



SEMİH ALŞAR



ZUHAL ULUTÜRK

ABDÜLLATİF ÖZKAYNAK

Born in Antalya in 1960. He graduated from the Faculty of Economics and Administrative Sciences, Gazi University. Started his business career in Egebank, he held various positions at Accounting, Budgeting and Financial Control Department of the bank. He became the Financial Affairs Group Manager in Anadolu Finans Kurumu in 1998. He took active roles in the merger of Family Finans and Anadolu Finans as well as in the sale of majority shares of Türkiye Finans Katılım Bankası to NCB. After working as Financial Control Manager in the Accounting and Budget Department, he has been serving as the Executive Vice President responsible for Finance since August 2011. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Accounting and Tax Department, Budget, Management Information Systems and Corporate Performance Department, Statutory Reporting and Financial Control Department, Purchasing, Construction and Administrative Affairs Department, Investor Relations Unit.

Total banking and business management experience is 30 years

ALİ GÜNEY

Born in Rize in 1964. He graduated from the Faculty of Economics and Administrative Sciences at Marmara University. He worked at the Funds Management Department of Faisal Finans between 1990-1993, and then he served as Assistant Manager at the Funds Management and Treasury Department of İhlas Finans between 1995-1999. After taking the position of Funds Management and Treasury Department Manager between 1999-2005, he served as the Treasury Department Manager in Türkiye Finans Katılım Bankası between 2006-2009. He has been the Executive Vice President responsible for the Treasury in the bank since 2009. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Treasury Department, Financial Institutions Department, Participation Banking Implementation and Development Unit, Market and Economy Analyst.

Total banking and business management experience is 24 years.

DURŞUN ARSLAN

Born in Germany in 1974. He graduated from the Department of International Relations (English), Faculty of Political Sciences, Marmara University and then completed an MBA at the Faculty of Political Sciences, Fatih University. He served at the Fund Management Department, Anadolu Finans Kurumu between 2000-2005 and then he joined Türkiye Finans Katılım Bankası where he served as Fund Management Manager, Treasury Operations Manager and Program Management Manager at between 2006-2011, and Strategy and Business Development Director between 2011-2013. Since March 2013, he serves as the bank's Executive Vice President responsible for Operations, Strategy and Business Development. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Strategy and Business Development Department, Loan Operations Department, Commercial Loan Control Department, Foreign Transactions Operations Department, Payment Systems Operations Department, General Banking Operations Department, Treasury Operations Department.

Total banking and business management experience is 15 years.

EROL GÖRGÜN

Born in Emirdağ, Afyon in 1968. He graduated from the Department of Public Management, Faculty of Economics and Administrative Sciences, Marmara University and then completed an MBA at the Money-Bank Department, Institute of Social Sciences, Istanbul University. After serving as DATA Origination and Verification Operator at the Ministry of Finance for a short period, he worked as Assistant Specialist and then Specialist, at the Department of Project Evaluation and Origination of Faisal Finans Kurumu between 1989-1995. He served as Head, Deputy Manager and then Manager, Department of Project Origination and Marketing at İhlas Finans Kurumu between 1995-2000. He functioned as General Coordinator at the Nakpa Plastik Group of Companies between 2001-2003,

Güneşli Branch Manager and Head of Financial Analysis and Intelligence Department at the Anadolu Finans Kurumu between 2003-2005. In 2006 he joined Türkiye Finans Katılım Bankası where he served as Head of Corporate Loans Allocation Department, Head of Credit Follow-up and Settlement Department, Head of Enterprise Banking Loan Allocation Department and then Head of Commercial Loans and Leasing Allocation Department between 2006-2013. In 2013 he became the Executive Vice President responsible for Loans. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Project and Commercial Loans Allocation Department, Commercial Loans and Leasing Allocation Department, Financial Analysis and Intelligence Department, Credit Follow-Up Department, Personal Loan Allocation Department, Credit Analytics and Program Department.

Total banking and business management experience is 27 years

FAHRİ ÖBEK

Born in Tosya-Kastamonu in 1969. He graduated from Computer Science and Engineering Department, Ege University and received his Master's degree in Business Management from Koç University. He started his business career Bilpa and then continued at Egebank. He held various positions in Koçbank between 1991-2006. After the merger of Koçbank - Yapı Kredi in 2006 he took the position of Senior System Analyst in the Software Development. He was the Deputy General Manager in Charge of IT Management in Yapı Kredi Bank between 2008-2010. He served as the Department Head in Charge of Information Technologies, Vodafone Turkey (CIO) between 2010-2011. He has been the Executive Vice President responsible for IT Systems in Türkiye Finans Katılım Bankası since June 2011. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Information Systems Product and Service Development -1 Department, Information Systems Product and Service Development -2 Department, Information Systems Product and Service Development -3 Department, Information Systems Transformation Department, Information Systems Corporate Development Department, Information Systems Technology and Infrastructure Management Department, Business Continuity Department, Information Systems Corporate Architecture Department, Information Systems Project Management Department Software Development Department, Information Systems Operation Department, Information Systems Analysis and Quality Assurance Department, Alternative Distribution Channels and Payment Systems Development Department, Business Continuity Department.

Total banking and business management experience is 24 years.

İKRAM GÖKTAŞ

Born in Mutki/Bitlis in 1969. He graduated from Business Administration Department, Faculty of Political Sciences at Ankara University. He served as an Auditor at the Board of Auditors of Garanti Bank between 1992-1997 where he then took the positions of Assistant Manager, Istanbul Corporate Branch, Çorum Branch Manager between 1997-2000. Between 2001-2005 he was the Banking Services Manager in Anadolu Finans Kurumu. He became the Banking Services Manager in Türkiye Finans Katılım Bankası in 2009 and was appointed as the Executive Vice President responsible for Delivery and Service Channels. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Branch Network Development and Branch Performance Management Department Alternative Distribution Channels Department, Organizational Development Department, Corporate Communications Department, Customer Experience and Service Management Department, Regional Headquarters.

Total banking and business management experience is 23 years.

MENDUH KARA

Born in Izmir in 1975. He graduated from İstanbul University, Faculty of Economics, International Relations Department. Started his business career at Lale Ajans, he held various positions at Dışbank between 1998-2002. He worked in the Corporate Marketing Department at

Anadolu Finans Kurumu between 2002-2005. In 2006 he joined Türkiye Finans Katılım Bankası where he served as Assistant Manager - Corporate Marketing, Merter Branch Manager, Manager - Enterprise Banking and Manager - Commercial Banking between 2006-2011. Since January 2012 he has been the Executive Vice President responsible for Enterprise Banking. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: SME Banking Department, Collections Department, Business Banking Department Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: SME Banking Department, Collections Department, Business Banking Department, Commercial Products Development and Customer Analytics Department.

Total banking and business management experience is 17 years.

OSMAN ÇELİK

Born in Erzincan in 1964. He graduated from Economics Department, Faculty of Economics and Administrative Sciences, Middle East Technical University. He worked as an Economist in the State Statistical Institute between 1986-1987. He functioned as Specialist and Chief Specialist, Project Evaluation and Preparation Department, Faisal Finans between 1988-1995. He was the Project and Marketing Manager at İhlas Finans between 1995-1999. He was an Executive Vice President in Anadolu Finans between 1999-2005. In 2006 he joined Türkiye Finans Katılım Bankası as the Executive Vice President responsible for Loans and then he was appointed as Executive Vice President responsible for Commercial Banking in October 2013. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Commercial Banking Department, Corporate Banking Department, Corporate Branches.

Total banking and business management experience is 26 years.

SEMİH ALŞAR

Born in İstanbul in 1969. He graduated from the Department of Economics, Faculty of Economics, İstanbul University in 1990. Started his business career in Birleşik Yatırım Bankası as Financial Analyst, he then held various positions in Marmara Bankası, Bank Ekspres, Finansbank, Egebank and Global Menkul Değerler. In 2012 he joined Asya Katılım Bankası and worked as Individual Marketing and Product Development Manager between 2004-2011. He has been the Executive Vice President responsible for Retail Banking in Türkiye Finans Katılım Bankası since 2011. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Housing Finance Marketing Department, Payment Systems Marketing Department, Participation Fund and Investment Products Marketing Department, Sales Management Department, Customer Data Management Department.

Total banking and business management experience is 24 years.

ZUHAL ULUTÜRK

Born in Yozgat in 1971. She graduated from the Department of Economics, Faculty of Political Sciences, Ankara University, completed her e-MBA in Boğaziçi University. Started her business career as an Assistant Auditor in Akbank in 1993, she became an Auditor in the same bank in 1996. She served as an Auditor in Kentbank between 1996-1998 and then held the position of Human Resources Manager between 1998 -2001. She was the Human Resources Group Manager in Denizbank between 2002-2007. She served as the Executive Vice President in Charge of Human Resources, Training and Organization in Şekerbank between 2007-2010, and as the Head of Human Resources Business Partners Department at Vodafone between 2010-2011. Since August 2011 she has been the Executive Vice President responsible for Human Resources and Training. Areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President: Human Resources Department, Training Department, Performance Management Department.

Total banking and business management experience is 22 years.

Unit Managers within Internal Systems



EMRE ERTÜRK

Head of Board of Auditors



METE KANAT

Head of Risk Management Center



OGÜN ATAÖĞLU

Manager, Internal Control



TAHİR CEM BERİK, CAMS

Manager, Legislation Compliance/Compliance Officer

EMRE ERTÜRK

Head of Board of Auditors

Born in Samsun in 1976, Emre Ertürk graduated from the Department of Civil Engineering at Istanbul Technical University. He holds an MBA from Istanbul University and a Master's degree in Management Information Systems from the Bogazici University. He worked in Dışbank between 1999 and 2005 as an Inspector and Unit Manager of the Inspection Board. He later worked as an Assistant Head of the Inspection Board at Fortis Bank between 2005-2011 and at TEB in 2011-2012. Since 2012, Mr. Ertürk has been serving as the head of Board of Auditors at Türkiye Finans.

He has a total of 15 years of banking and occupational experience.

METE KANAT

Head of Risk Management Center

Born in Ankara in 1977. He graduated from the Department of Management at Hacettepe University. He holds an MBA degree from Istanbul Bilgi University. Mr. Kanat worked in the Banking Regulation and Supervision Agency as a Bank Examiner between 2001 and 2007 before working in Creditwest Bank - Ukraine as an Executive Vice President between 2007 and 2011. He started to work in Türkiye Finans in 2011 as the Head of Official Reporting and Financial Control. Since 2014, he has been serving as the Head of Risk Management Center.

He has a total of 13 years of banking and occupational experience.

OGÜN ATAÖĞLU

Manager, Internal Control

Born in Trabzon in 1974, Mr. Ataoğlu graduated from Department of Economics (in English), Faculty of Economics at Istanbul University. He worked as an Inspector in Ege Giyim Sanayicileri Bank between 1999 and 2002. He joined the Türkiye Finans family in 2003 and worked as an Assistant Manager in Internal Control Department between 2003 and 2009. Between 2009 and 2012 he worked as a Manager of Legislation Compliance. Since 2012, he has been working as the Manager of Internal Control in Türkiye Finans.

He has a total of 15 years of banking and occupational experience.

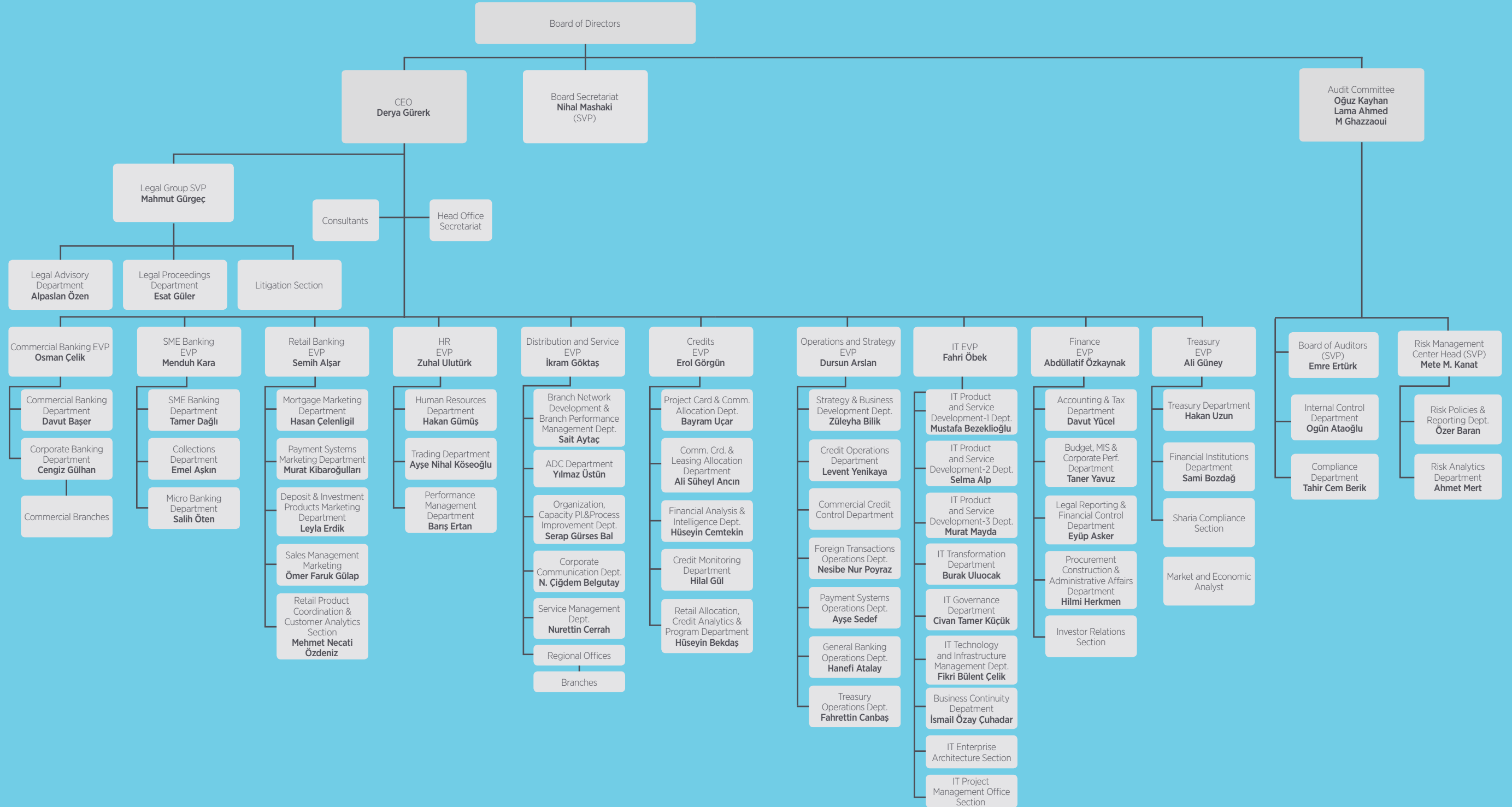
TAHİR CEM BERİK, CAMS

Manager, Legislation Compliance/Compliance Officer

Born in Istanbul in 1966, Tahir Cem Berik graduated from the English Language and Literature Department at Hacettepe University. He holds a Master's degree in Management from the Ziraat Bank Banking School and Ahmet Yeseve University. He holds a Certified Anti-Money Laundering Specialist (CAMS) certificate. Between 1990 and 1997 he worked as Project Valuation Specialist in Ziraat Bank and worked as a Foreign Operations Manager in Kazakhstan Ziraat International Bank (Almati, KZ) between 1997 and 2000. He then worked as a Manager of the Financial Control Unit at Ziraat Bank between 2000 and 2003 and as the Munich Branch manager of Ziraat Bank International AG between 2006 and 2012. Since 2014 he has been working in Türkiye Finans Participation Bank as the Legislation Compliance Manager/Compliance Officer.

His total banking and occupational experience is 24 years.

Organization Chart



Governing Bodies and Committees at the Bank, Participation of Bank Directors and Committee Members in Meetings

Board of Directors

As prescribed by article 17 of Türkiye Finans's articles of association, the Bank's Board of Directors consists of seven members. Board meetings require a quorum of at least five directors. Board decisions are taken by a simple majority of those present and voting. The duties and authorities of board members are spelled out in the articles of association subject to applicable laws, regulations, and administrative provisions. During 2014, the Board convened on five occasions, one of which was for the purpose of approving the Board's declaration to the bank's independent auditors. All Board meetings that took place during 2014 met the meeting quorum requirements and all decisions taken in those meetings were passed by a sufficient number of votes. Information concerning the Board meetings held in 2014 is presented below:

Meeting/Date

1. 23 January 2014
2. 28 March 2014
3. 27 June 2014
4. 26 September 2014
5. 28 November 2014

Executive Committee

Türkiye Finans set up an Executive Committee in March 2009. The fundamental mission of the Executive Committee is to closely supervise the performance of the bank's management and the implementation of the bank's strategies. The committee is also responsible for overseeing the bank's transformation program. Because it usually meets once a quarter, the Executive Committee has the ability to keep a closer watch on the bank's performance and risk exposure, to make decisions more quickly, and to recommend that corrective measures be taken in a timely fashion. The Executive Committee is the channel through which the Board of Directors and the bank's management may communicate with each other. Türkiye Finans Executive Committee met 4 times during 2014.

Credit Committee

The Credit Committee was set up by the Board of Directors to exercise the power to extend credit within the framework of principles and procedures prescribed by banking laws and regulations. The Credit Committee approves credit allocation decisions within the limits of its authority, makes decisions about requests to change the terms of credit allocations which fall within the scope of its authority, and fulfills such other credit-related duties as the Board of Directors may provide to it. Türkiye Finans Credit Committee met eleven times during 2014.

Audit Committee

The Audit Committee was set up by the Board of Directors to perform the duties required by banking laws and regulations and to assist the Board in the conduct of its auditing and supervisory activities. The Audit Committee is also responsible for overseeing the effectiveness and adequacy of the bank's risk management system and for checking the validity of risk-related judgments, reports and other documentation submitted to it. The Audit Committee supervises coordination among the Board of Auditors, the Internal Control Center, and the Risk Management Center; keeps the Board of Directors informed of such matters; formulates principles, procedures, and policies applicable to such issues and submits these to the Board of Directors for its approval.

The Audit Committee reports the results of its activities to the Board of Directors at least once every six months, at which time the Committee also presents its opinions about such matters as measures that need to be taken, practices that need to be followed, and other issues which it deems to be vital to the bank's ability to conduct its business confidently. During its meetings, the Committee discusses the findings and assertions of the bank's internal audit units and it refers such issues as it deems to be important to the Board of Directors. The Committee also discusses issues brought to its attention by the bank's own external auditors and/or by BRSA auditors and it refers these to the Board of Directors as well. During 2014 the Audit Committee convened four times at the bank's headquarters; it also met with the bank's external auditors on two occasions, at which time the findings of three quarterly audits and one year-end audit were discussed.

Corporate Governance Committee

A Corporate Governance Committee was set up at Türkiye Finans in April 2011. The fundamental mission of this committee is to monitor and supervise the bank's activities so as to ensure that Türkiye Finans's corporate governance policies, regulations, and procedures are in compliance with banking laws and regulations. The Committee also informs the Board of Directors of possible

changes that may take place in corporate governance laws and regulations and their implementation at regular intervals. This Committee met two times in 2014.

Compensation & Nomination Committee

A Compensation and Nomination Committee was set up at Türkiye Finans in April 2011. The fundamental mission of this Committee is to determine appropriate forms of remuneration for the bank's Board Members, senior managers, and other employees in light both of the bank's strategies and needs and of market practices. The Committee also supports the Board of Directors on issues related to the nomination of candidates to seats on the Board. This Committee met four times in 2014.

Board General Secretariat

The main function of the Board General Secretariat is to manage, channel and widely coordinate current and/or potential business flows between the Board of Directors, Board of Directors level Committees, General Management and Internal Functions in addition to providing information flow. Board General Secretariat participated in all the meetings of the Board of Directors and Board of Directors level Committee meetings.

	Mustafa Boydak	Saeed Mohammed A. Alghamdi	Lama Ghazzaoui	Khalid Malik Alsharif	Oğuz Kayhan	Halil Cem Karakaş	Veysel Derya Gürerk
Board of Directors	Chairman	Vice Chairman	Member	Member	Member	Member	Member
Audit Committee			Member		Chairman		
Credit Committee	Member	Member (Alternate)		Chairman	Member (Alternate)	Member	Member
Corporate Governance Committee		Chairman			Member		Member
Compensation & Nomination Committee	Member	Chairman					
Executive Committee	Member	Chairman					Member

Information about Committee

Members' Participation in Meetings

2014

	Number of Meetings	Number of Meetings with Full attendance	Number of Meetings Less Than Full Attendance*
Board of Directors	5	4	1 **
Audit Committee	4	4	-
Credit Audit Committee	11	11	-
Corporate Governance Audit Committee	2	2	-
Compensation & Nomination Audit Committee	4	4	-
Executive Audit Committee	4	4	-

*Statutorily mandated quorum requirements were met in all meetings.

** One member was absent from the one meeting for excused reasons.

Information concerning the General Assembly held in 2014

Two General Assemblies of the Bank were held during 2014: the GAM on 28 March, 2014 and an EGAM on 29 August, 2014. The GAM was convened to discuss routine company matters as required by law. In addition to this, appointments regarding Board Members whose terms of office expired were made in line with article 362 of the Turkish Commercial Code. Accordingly, with the exception of the appointment of Halil Cem Karakaş in substitution of Mehmet Atila Kurama, whose term of office expired, the decision was taken to appoint all current members for a period of 3 years. In the EGAM which was convened on 29 August, 2014, the decision was taken to increase the Company's capital from TL 1,775 million to TL 2,600 million and to amend the Articles of Association accordingly.

General Assembly Meeting Agenda

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.

24th General Assembly Meeting Agenda

27 March 2015

1. Opening and formation of the presidential board,
2. Presentation and discussion of the 2014 Annual Report of the Board of Directors,
3. Presentation and discussion of the 2014 Report of Independent Auditors,
4. Presentation, discussion and approval of the Financial Statements of the year 2014,
5. Release of the members of the Board of Directors who served in 2014 for the activities of the year 2014,
6. Determination of the monthly fee and allowance fee to be granted to the Board Members,
7. Determination of the usage of the profit of the year 2014,
8. Discussion on whether or not to permit the member of the Board of Directors to perform transactions stated in Article 395 and 396 of the TCC, and adopting the necessary decision on this matter,
9. Wishes and closing.

Summary of the Board of Directors report presented to the General Assembly

Esteemed Shareholders,

We would like to warmly welcome you all to our Bank's 24th Annual General Assembly. On behalf of the Board of Directors, we respectfully thank you for honoring the Bank's 2014 General Assembly with your presence.

Before passing on to the Board of Directors' and the Auditors' reports, the financial statements and our assessment of the Bank's 2014 results, we should first share with you a review of the year's developments in the global and Turkish economies.

An Economic Overview of 2014 and Outlook for 2015

The global economy started 2014 with the termination of the Fed's asset purchases and concerns regarding its negative impacts on emerging economies. While yields on Treasury bonds in the USA were rising, the USD started a revaluation process. Other developed countries were struggling with the difficulties of the post crisis period and slowing growth. Developing countries, principally China, entered a period of slow growth for structural reasons.

In 2014, the Fed was slowly decreasing asset purchases while the ECB and BoJ maintained expansionary monetary policies by taking additional measures in response to the volatility in financial markets and the continued fragility in the global growth outlook. Therefore, the risk appetite in global markets improved somewhat in the second quarter, even though the deceleration in global growth continued. All commodity prices, primarily prices of energy, declined around the world. This decline resulted in a deterioration in perception for energy exporting countries, and their financial assets remained under pressure. On the other hand, with the expectation that energy importing countries would reap the benefit of low energy costs, their financial assets positively decoupled. However, the current levels of energy prices and the continuing geopolitical risks do increase the risk of contagion, which may increase unease concerning the financial markets.

It is anticipated that both developed and developing economies will grow more rapidly in 2015 thanks to supportive monetary policies in developed economies and declines in energy prices. The Fed is expected to start raising interest rates at a measured pace within the year, and that uncertainties will ease. On the other hand, a serious halt in capital inflows to developing economies is not expected. However, there are two risks to the 2015 outlook; the steps taken to support the growth of developed economies may prove ineffective; and the contagion of problems that may be faced in energy exporting countries to other developing economies.

The Turkish Economy in 2014

The perception of the TL's risk marked a significant deterioration at the beginning of 2014. In response, the CBRT tightened its monetary policy by increasing interest rates sharply in a bid to limit the devaluation of the TL and curb the increase in inflation. Between May and August, the CBRT decreased interest rates in a measured fashion on the back of the improvement in global liquidity conditions. Throughout the rest of the year, the easing in inflation was put back due to the high food prices and delayed impact of the devalued TL. The CBRT kept interest rates on hold and maintained its cautious stance.

Due to the effective monetary policy applied by the CBRT, funding costs and the return on TL assets, having increased in the first part of the year, started to decrease in the middle of the year. Thanks to the sharp fall in energy prices in the second half of the year, inflation started to decline and the current deficit started to narrow, with domestic markets becoming less sensitive to the exchange rate volatility. The final days of 2014 provided the opportunity of compensating the majority of losses sustained at the beginning of the year, thanks to the CBRT's cautious stance and developments in the global economy, which worked in Turkey's favor.

Summary of the Board of Directors report presented to the General Assembly

Economic activity was rebalanced in 2014 thanks to the impact of developments in domestic and foreign financial markets. Although the Turkish economy grew strongly in the first quarter of 2014, thanks to both domestic and foreign demand, there was a remarkable slowdown in economic activity starting from the second quarter due to a combination of the CBRT's tightening at the beginning of the year and the challenging financial conditions. In this period, foreign demand sustained its positive contribution. The economy grew by 2.8% in the first nine months of the year when compared to same period of the previous year. Inflation was close to double digit levels in the middle of the year but improved despite weak domestic demand, to end the year at 8.2%. The current account deficit, on the other hand, narrowed to USD 47 billion in 2014, from the USD 65 billion at the end of 2013.

With the application of structural reforms and balanced financial conditions in 2015, the economy is expected to grow by around 4%, as projected under the MTP (Medium Term Plan). Inflation is expected to decline in 2015 thanks to the high base effect and declining energy prices. The current account deficit is expected to remain near 5% of GDP in 2015 thanks to low energy prices.

The Turkish Banking Sector and Türkiye Finans in 2014

The sector's total assets grew by 15% YoY to TL 1,994 billion in 2014, with an 11% YoY increase in deposits to TL 1,057 billion. The volume of loans increased by 18% YoY to TL 1,272 billion, while shareholders' equity expanded by 20% YoY to TL 232 billion. In this period, the loans in the participation banking sector grew by 4% YoY to TL 71 billion, deposits grew by 6% YoY to TL 65 billion, shareholders' equity grew by 9% YoY to TL 10 billion and total assets grew by 8% YoY to TL 104 billion. Although the participation banking sector posted slower growth than in previous years, its share in the sector's assets remained at 5.2% while Participation banking's share in loans declined from 6.3% at the end of 2013 to 5.6%. The segment's share in deposits decreased from 6.5% to 6.2%, while its share in shareholders' equity dropped from 4.6% to 4.2%.

The banking sector's average loans to deposits ratio declined in the middle of the year but bounced back strongly in the second half of the year to 120% by the end of 2014. In this period, security issuances from domestic and foreign markets grew by 47% YoY to TL 89.3 billion.

The sector's growth and profitability was constrained by developments in financial markets, the CBRT's interest rate hikes at the beginning of the year and the BRSA's regulations implemented in the second half of 2013 and at the beginning of 2014. Despite the recovery in the second half of the year, the sector's total profit remained stable at TL 24.7 billion due to the rapid increase in costs at the beginning of the year. In the participation banking segment, on the other hand, the total profit declined sharply to TL 89 million.

The Treasury pressed ahead with TL and foreign currency sukuk (lease certificate) issuances in 2014 while other participation banks, including our Bank, also issued sukuk certificates. Despite of the selling pressure in financial markets, the demand for issuances by the Treasury and participation banks was strong.

Growth rates are expected to be limited in 2015 due to the measures taken for the sector and domestic and foreign developments. Funding costs are expected to be lower in the coming period, while 2015 is foreseen as a better year in terms of profitability.

Loans include "Rediscounts" and "net financial leasing receivables"

With the developments in the Turkish economy and the positive contributions of our employees, at the end of 2014:

Our total asset volume increased by 33% YoY to TL 33.5 billion while funds collected increased by 26% YoY to TL 19.1 billion. The total volume of loans which we extended grew by 33% YoY to TL 24.3 billion while non-cash funds rose by 20% YoY to TL 10.6 billion.

Türkiye Finans generated a pre-tax profit of TL 425 million in 2014. Our net income stood at TL 334 million. After setting aside legal reserve funds, the remaining part will not be distributed and will be set aside as a reserve fund. The net profit share income grew by 26% to TL 1.1 billion in 2014.

Türkiye Finans decided to increase its capital in an Extraordinary General Assembly held on 29 August 2014. Our capital was increased from TL 1,775 million to TL 2,600 million. A TL 600 million portion of the increased capital was met through legal reserve funds while TL 225 million was paid in cash by shareholders. After this increase, our Bank's capital rose to TL 2,600 million.

Our Bank's capital adequacy ratio stood at 12.47% at the end of 2014.

Esteemed Shareholders,

This completes our presentation of the annual report, balance sheet, and profit & loss statement showing the results of Türkiye Finans' activities in 2014. We now submit these for your consideration and approval.

In closing and on behalf of the Board of Directors, we would like to take this opportunity to thank our shareholders, our employees, and our customers for their confidence in our bank. We respectfully thank you, our valued shareholders, for honoring our 2014 Annual General Assembly with your presence.

Yours sincerely,

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.
BOARD OF DIRECTORS

Information Concerning Human Resources Practices

Türkiye Finans acts with the mission of sharing the value generated in line with the principles of participation banking. The Bank continues to develop its human resources practices and contributes to its employees.

In line with this mission, Türkiye Finans carried out following activities in the field of human resources in 2014:

- Increasing employees' performance,
- Improving employees' satisfaction and loyalty,
- Providing personal and occupational development

Türkiye Finans effectively maintained main human resources activities such as recruiting qualified human resources, career planning, performance evaluation, employee motivation, benefit management, formulating remuneration policies and planning personal and occupational training by determining training requirements.

The Bank put into practice a capability measurement and evaluation application entitled **"KARİYER-LAB"** under an approach based on the effective and efficient management of human resources and with the philosophy of realizing employees' career development in line with the most objective measurement and evaluation principles possible.

Türkiye Finans initiated the **"SALES SCHOOL"** unit with the aim of raising sales teams of the future in order to enhance its competitive power and market share.

In 2014 the Bank carried out a number of improvement activities for recruitment processes and formed career maps for branch personnel. Employee segment transitions started to be conducted through objective evaluation tools. Moreover, title based competency profile definitions were created and objective criteria were set.

Türkiye Finans started activities in the **"Katılıyorum Sana"** (I am joining you) project which is a sustainable youth communication project to bring together the professionals of the future and students who study in our country's top universities, and the **"www.katilyorumsana.com"** website was launched, which has grown in popularity. In 2014, the Bank came together with thousands of students from our countries top 7 universities through the "Katılıyorum Sana" (I am joining you) youth communication platform. Accordingly, the Bank received 2,000 application forms.

Within the scope of back-up activities, Türkiye Finans deepened its Management trainee pool. The Bank set out the main principles for being a manager in the Bank more clearly.

Türkiye Finans conducted structured periodic Human Resources Communication Meetings to be closer to the Units, Regional offices and the Branches and to better understand their needs. Moreover, the Human Resources tea effectively coordinated all region and branch performance evaluation meetings during the year.

During 2014, employees were paid motivational bonuses in a bid to reward successful performance and raise employee motivation. These monetary payments were calculated by taking into account employees' duties and responsibilities, and both individual and departmental performance, and were paid in cash.

The Bank's conduct of its business was audited within the context of "Regular Oversight for the Improvement of Working Conditions of Employees in the Banking Sector" activities carried out by the Ministry of Labor and Social Security Inspection Board during 2014.

Türkiye Finans launched an application to manage access to systems for employees working in all of the Bank's branches out of working hours. This application will be managed through the system.

Türkiye Finans conducted following activities within the scope of Occupational Health and Safety Law: Evacuation drills, ISG training, emergency case trainings, Workplace atmosphere measurement, Periodic Checks of Elevators and Pressure Cups, Grounding Measurement and Risk evaluation and analysis.

Türkiye Finans served with 4,478 employees in 280 branches and 10 Regional Headquarters as of 2014. 34% of the bank's employees work in the Headquarters with 1% working in the Regional Headquarters and 64% in the Branches.

An analysis of Türkiye Finans' personnel finds that 87% of employees hold a university degree, 31% of employees are female and the average age of the employees is 33.

The staff needs of the Senior Management and Management Levels are met through internal appointments (68%) and external appointments (32%).

In line with **"Biolmak (To unite)"** philosophy, activities for the "Biolmak" employer brand, which addresses all Türkiye Finans employees, were completed and provided to employees through the Human Resources E-Bulletin.

The Bank conducted "To unite is to listen to each other" meetings to gather senior management and employees together. As part of these activities, the Türkiye Finans' Executive Vice Presidents came together with 1,000 employees in the 10 Regional Headquarters.

Türkiye Finans carried out several events and projects which will ensure a balance between professional life and social life. Within this context;

- The Bank received the "Best Team Spirit" award in the world's biggest inter-company 3rd Dragon Fest.
- In addition to current clubs, Türkiye Finans established a Cycling Club, Archery Club, Basketball Club, Outdoor Sports and Mountaineering Club in 2014.
- A total of 42 Türkiye Finans employees attended the 36th Vodafone Eurasia Marathon. Turgay Kuruçaylıoğlu completed the 42 km course where he was ranked 351st in the general ranking and 102nd in the Turkey ranking.
- In the 4th Traditional Photography Contest, which is organized among employees by the Photography Club, employees who were ranked in 1st, 2nd and 3rd places and who were rewarded with Türkiye Finans Special Award, Honorable Mention Award and Exhibition Award were rewarded within the scope of Kat Kazan. Photographs were presented at the Headquarters.
- The Football Tournament which has been organized for 11 years among the employees was held with the participation of 389 employees and 30 teams. In the 7-week-lasting tournament, the Championship, Second Prize, Third Prize, Top Scorer and the Best Goalkeeper rewards were handed to employees within the scope of Kat Kazan.

Türkiye Finans will seek to carry out following activities in 2015 with the aim of **"Being the Most Preferred Employer in Banking Sector"** with the principle of being the sector's leading and innovative bank:

- Improving operational business processes by enhancing technological infrastructure.
- Creating new career management systematics with personal development planning and personality inventory.
- Increasing employees' loyalty with BIR olmak (to unite) and social media communication activities.

Information Concerning Human Resources Practices

Training:

Türkiye Finans continued investments in training with the aim of supporting sales and employees' careers in 2014, with the Bank remaining orientated to external and internal customers. Within this context,

- **“Career-Long Training”** is a training program project that has been developed with the aim of systemizing training so as to expand competencies, manage human resources effectively, and equip employees with the knowledge and skills they need to perform successfully in their existing positions. Türkiye Finans continued this program by extending it.
- **“Service Excellence through a Professional Team”** training sessions represent the cornerstone of “working and service quality”, aiming to improve the customer experience and increase service quality. These training sessions started to be given to sales segments after being provided to branch operation segments. Important clues of standard and professional service were shared in training sessions. This topic was kept going through knowledge contests held through the distance learning method.
- All retail sales employees participated in the program, which was supported through four different methods under the name **“Mobilization for Selling Retail Products All Together”** with the aim of increasing the sale of retail products and improving service quality. Training activities in this topic will continue in 2015 with different dimensions.
- Sales activities of all employees in the commercial/ entrepreneurial segment were supported by “Effective Sale and Portfolio Management” training.
- Türkiye Finans has been conducting sales training sessions to support teller desk employees realize their sales targets. This year, operations managers also participated in these training sessions, receiving **“Intrabranh Sales Management”** training. This ensured the adoption of the sales culture in the operational segment.
- The **“Sales School”** program was opened for the first time this year to raise sales teams of the future among Branch Customer Transactions Service employees, who are enthusiastic and skilled in sales.
- The **“Off the Bench and onto the Field”** Branch Manager Development Program, which was developed in line with the strategy of raising managers within the bank, continued with the new management trainees. Also, the “Mentorship” activity was conducted for newly appointed Branch Managers. Moreover, 25 Unit and Branch Managers were welcomed with the “New Ring to the Chain” orientation programs, assisting in their adaptation to the Bank.
- Türkiye Finans organized “Giving Feedback” training, which is a very important component of the “Performance Based Management” approach. The Bank also organized “High Performance Team Management” training for Branch Managers to support team management capabilities. **“Competence e-training”** was provided to employees in the branches and the headquarters to who were found to have room for development.
- The Bank took the first step towards management of “Generation Y”, which is discussed all over the world and in Turkey, with **“Understanding Generation Y and creating an efficient work culture”** seminars given to managers in the headquarters. This training will be extended to all managers in the bank by using different training methods and to Generation Y employees to support the collaborative work culture in 2015.
- The Mobile training platform, under the slogan **“Development is in Everywhere”**, which enables employees to access the training through their tablets and telephones, removes “time” and “space” limits in accessing information.
- The Bank initiated a course of conferences under the name of **“We are Uniting By Sharing”** through which employees may find useful information concerning daily life in areas such as self-confidence, motivation, focusing, awareness of their own capabilities, intrafamilial communication and healthy living.

- Employees took the steps of understanding each other and developing empathy by being present in Headquarter Unit/ Branches of their preference under the name of “One day at the Headquarters” and “One day at the Branch” with the aim of supporting the collaborative work culture.
- Türkiye Finans provided training support to target audiences with distance and in-class methods for mandatory topics such as the CMB, PPS (Private Pension System), SEGEM (Insurance Training Center), ISG (Occupational Health and Safety), First Aid and the Prevention of Money Laundering and Prevention of Financing Terrorism. By providing these courses, the Bank enabled its employees to hold the related documents and certificates.
- The Bank ensured continued attendance of training programs of the Banks Association of Turkey and Participation Banks Association of Turkey, as well as public seminars.
- The Bank provided Master support to employees seeking to enrich their careers with an academic approach in more than **20 universities**.

Türkiye Finans provided **61** hours of training per employee and organized 2,000 in-class training sessions to contribute to employees’ occupational and personal development, as well as the Bank’s efficiency.

80% of training was conducted through in-class sessions while 20% was provided through distance learning.

Türkiye Finans provided training opportunities to all employees, with 92% of employees attending at least one in-class training session in 2014.

In 2015, Türkiye Finans has attached particular importance to training in the following areas to support the Bank’s goals and strategies: product sale, service culture, customer orientation, extending deposits and providing loans in a healthy manner.

Performance Management:

The Performance Management Department maintains its activities of practicing the Bank’s strategies around the Bank and reflecting them to its business results. Türkiye Finans developed and put into force modern performance management systems in 2014. Evaluations made through determined capabilities and development goals allowed employees to receive the feedback that they need in a timely manner. Customer satisfaction regarding this system, named ‘Performance Dialogue’, was measured in a questionnaire. The 90% approval rate in the questionnaire shows that the new system was welcomed by employees.

Türkiye Finans created performance report cards with the balance report card method to measure the performance of the Headquarters, Audit Business Family and Region Headquarters. By doing so, infrastructure required for evaluating the performance in the most objective manner and for rewarding it was formed. Performance report cards play an important role in performance management and development. These cards also contribute to the Bank’s performance based culture.

Kat Kazan is an important component of total reward system. It ensures that the value added of the employees is adequately measured. A total of 837 employees were rewarded during 2014 in categories such as representation success out of the bank, process improvement and loyalty. These employees were given gift card packages chosen through the online portal.

The Performance Management Department conducts “Employee Satisfaction Analysis”. This analysis provides an important source of input for ensuring a happier work atmosphere through determining measures to will be taken, by measuring and comparing employees’ satisfaction and loyalty levels.

The Performance Management Department will continue its activities to reflect the Bank’s strategies to business results in 2015 with the department’s activities regarding a detailed performance management system which is shaped on the basis of business goal and capability development, a comprehensive reward management structure and improving employee satisfaction.

Information about the Related Party Transactions, the Bank Enters

Normal customer relationships and market conditions are always taken into account and the limits and restrictions prescribed by Law of Banks are always complied with in all of the Bank's dealings, including those involving related parties. Details of Türkiye Finans' transactions with related parties are presented in item seven of part five of the Independent Auditors' Report section of this annual report.

Information about Consolidated Affiliation



TF VARLIK KİRALAMA A.Ş.

TF Varlık Kiralama A.Ş. was established as a Türkiye Finans' affiliation in February 2013 to intermediate the Bank in finding funds by issuing domestic and international lease certificates. The Company aims to carry out the Bank's domestic and international capital market issuances.

The Company is the largest asset leasing company in terms of asset size. In 2014, the Company issued 7 lease certificates, 5 of which were domestic and 2 were international. Domestic issuances amounted to TL 330.5 million in 2014, while international issuances amounted to USD 500 million and MYR 800 million.

2014 was a successful year for the Company with its lease certificate issuances and the strong demand that these issuances attracted.



TFKB VARLIK KİRALAMA A.Ş.

TFKB Varlık Kiralama A.Ş. was founded on 8 July 2014 as an affiliation with Türkiye Finans following the approval of the Banking Regulation and Supervision Authority and the Capital Market Board, and the company was registered to the trade registry. TFKB Varlık Kiralama A.Ş. was established in order to issue lease certificates of non-bank resource institutions in the private sector.

In 2014 the Company issued TL 71 million of lease certificates which were issued by the real sector to be sold to domestic corporate investors, and in which Türkiye Finans was a user of funds.

The Company targets to rapidly grow in line with the growth in sector.

Other Information

Remuneration provided to members of the Governing Bodies and Senior Management; Non-Competition Covenant:

The total value of rights and material benefits provided to members of the board of directors and of the senior management in 2014 amounted to TL 12,897,000. The total value of cash and non-cash benefits consisting of allowances, travel, accommodation and representation expenses, and of insurance and similar guarantees provided to the Board of Directors amounted to TL 744,000; the sum provided to members of the senior management amounted to TL 1,375,000.

Duty of Loyalty Report:

During 2014, the following conclusions were reached in all of our Bank's transactions with the main shareholder, the main shareholder's affiliations and our Bank's affiliations: the fact that the transaction was made or the precaution was taken or in the time of avoiding from taking precaution, according to circumstances and conditions known by us, the fact that substituted performance is provided and the fact that there is no precaution taken or avoided from taking it which can damage the company and the fact that there is no transaction or precaution to be offset within this framework.

Special Audits, Public Authority Audits:

There were no shareholder requests for special audits during 2013. Türkiye Finans is subject to continual on-site inspection and remote supervision by personnel of the BRSA (Banking Regulatory and Supervision Agency) as required by the Banks Act (Statute 5411). The Bank's conduct of its business was also subject to the "Regular Oversight for the Improvement of Working Conditions of Employees in the Banking Sector" prepared by the Ministry of Labor and Social Security Inspection Board during 2014.

During 2014, a total of TL 76,430 in administrative fines were levied against Türkiye Finans, of which TL 55,765 were related to contraventions of Statute 5411, TL 3,065 were for contraventions of the tax-law and TL 17,600 were for contraventions of traffic, municipal laws and various other laws and regulations.

Investments:

In 2014, Our Bank undertook TL 82.3 million worth of investments of which TL 33.9 million were related to intangible fixed assets while of which TL 48.4 million were related to tangible fixed assets.

Charitable Assistance and Donations:

- The tax-deductible portion of donations and charitable assistance paid by Türkiye Finans to public-interest organizations amounted to TL 202,228.75 in 2014.
- The non-deductible portion of donations paid by Türkiye Finans to other natural and legal persons amounted to TL 96,700 in 2014.

Shares that the Bank Has Acquired in itself:

There are no shares which the bank has acquired in itself.

Administrative and Legal Enforcement:


There were no instances of the company or members of the Board of Directors being found to have contravened legislative provisions, or the actions of administrative and financial enforcement as the result of such contraventions.

Activities for Which Support Services are Outsourced and the Persons and Organizations from Which They are Obtained

List of Support Services		
No	Support Service Supplier	Support Service Obtained for
1	Banksoft Bilgisayar Hizmetleri Ltd. Şti.	Information Systems
2	Figen Yazılım Evi Tic. Ltd. Şti.	Software support - Operational services
3	Provus Bilişim Hizmetleri A.Ş.	Operational services
4	Plastkart Plastik Kart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.	Operational services
5	Aktif İleti ve Kurye Hizmetleri A.Ş.	Operational services
6	Kurye Net Motorlu Kuryecilik ve Dağ. Hiz. A.Ş.	Operational services
7	MTM Holografi Güvenlikli Basım ve Bilişim Teknoloji San. Tic. A.Ş.	Operational services
8	Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hiz. İç ve Dış Tic. Ltd. Şti.	Operational services
9	Kredi Kayıt Bürosu A.Ş.	Credit and other transactions
10	Türkiye Garanti Bankası A.Ş.	Correspondent agreement
11	Türkiye Garanti Bankası A.Ş.	Cash collection distribution
12	Akbank T.A.Ş.	Cash collection distribution
13	Kartek Kart ve BilişimTehnolojileri Ltd. Şti.(*)	Information Systems
14	Servicum Bil. Hiz. San. ve Dış Tic. A.Ş.	Information Systems
15	Bilişim Bilgisayar Hiz. Ltd. Şti.	Information Systems
16	Türk Telekomünikasyon A.Ş.	Information Systems
17	İnova Bilişim Çözümleri A.Ş.(*)	Information Systems
18	Iron Mountain Arşivleme Hizmetleri A.Ş.	Archives
19	Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.	Headquarters, Tophane auxiliary services building & branches
20	Bilin Yazılım ve Bilişim Danışmanlığı Ltd. Şti.	Human resources management system software; software use and consultancy services
21	Formalis Bilgi Teknolojileri	Operational services
22	Sungard Ambit	Legal Reporting
23	İstanbul Altın Rafinerisi	Operational services
24	CPP Sigorta Aracılık Hizmetleri A.Ş.	Sale of Card Protection Plan
25	Finecus Yazılım Danışmanlık Sanayi A.Ş.	Corporate & commercial firm ratings and TM processes and maintenance
26	Pozitron Yazılım A.Ş.	Information Systems
27	Konut Kredisi Com Tr Danışmanlık A.Ş.	Operational services
28	Procat Danışmanlık Yazılım Telekomünikasyon Pazarlama Ticaret A.Ş.	Software licence
29	CMC İletişim Bilgisayar A.Ş.	Operational services
30	Uz Gayrimenkul Yatırım Danışmanlığı A.Ş.	Operational services
31	Hazır İçerik Bilgisayar	Operational services
32	AVİ Gayrimenkul	Operational services
33	FU Gayrimenkul	Operational services
34	MAS Global Mülk	Operational services
35	DESMER	Cash collection distribution
36	Secur Verdi	Cash collection distribution
37	WIN Bilgi İletişim Hizmetleri A.Ş.	Operational services
38	Austria Card Turkey Kart Operasyonları A.Ş.	Operational services
39	Hobim Bilgi İşlem Hizmetleri A.Ş.(*)	Operational services
40	Epik Bilişim Yazılım Ve Danışmanlık Hizmetleri Anonim Şirketi	Information Systems
41	Automotive Distributors	Marketing - Consumer credit marketing support taken from 268 automotive distributors
42	Durable Goods	Marketing - Credit marketing support taken from 1,669 distributors
43	Construction Company	Marketing - Credit marketing support taken from a construction company

(*) Contracts expired as of 2014.





Türkiye Finans conducted USD 500 million of sukuk issuances in 2014, in the second largest sukuk issuance conducted in Turkey to international institutions, after the Turkish Treasury's issuance. International investors showed great interest in the sukuk issuances with 127 investors placing bids. The issuance was 2.8 times oversubscribed with demand of USD 1,405 million.

59%

Türkiye Finans' borrowing from abroad increased by 59% to USD 3.7 billion as of the 2014-year end from USD 2.4 billion at the end of 2013.

The Audit Committee's assessment of Internal Audit, Internal Control, Risk Management and Regulatory Compliance Functions; Committee Activities during the reporting period

Internal audit, internal control and risk management activities at Türkiye Finans are carried out by the Board of Auditors, the Internal Control Department, and the Risk Management Center, all of whose duties and responsibilities are spelled out in published regulations and which are organizationally independent of each other. The activities of these units are coordinated by the Audit Committee acting on behalf of the Board of Directors. The Regulatory Compliance Department also reports to the Board of Directors through the Audit Committee.

Internal Audit (Board of Auditors)

The Board of Auditors reports to the Board of Directors through the Audit Committee. The Board of Auditors is responsible for performing audits, inspections and investigations on behalf of the Board of Directors in line with the schedule and instructions provided by the Chairman.

The Board's fundamental objective is to provide independent and impartial compliance and consultancy services that safeguard the activities of the Bank and its affiliates subject to consolidation and generate added value. Operating within currently applicable laws and related external regulatory frameworks, and the Bank's own strategies, policies, principles and targets, the board provides assurance to the Senior Management concerning the effective and sufficiency of the Bank's internal control, risk management systems and governance processes. The board aims to help the Bank reach its targets by introducing a systemic and disciplined approach in order to evaluate and improve the related systems.

Within the scope of the 2014 audit plan, audit activities were conducted in various selected Branches and units in the Headquarters based on the risk-oriented audit approach. In addition, audits into the information systems were maintained by IS inspectors. With these audit activities, investigations and inspections regarding the board's declaration were conducted.

As a result of the audit activities, incomplete and improper applications are reported to the Audit Committee on a quarterly basis, and their completion statuses are followed.

Detailed training programs were prepared to increase the knowledge level of inspectors as well as bringing their personal developments to highest level. Accordingly, internal and external trainings were received.

As of 31 December 2014, the staff of the Board of Auditors consisted of 42 people.

Internal Control

The Internal Control Department is responsible for overseeing all aspects of Türkiye Finans's organization and activities so as to ensure that the bank's business is conducted effectively, productively, and in a manner consistent with the requirements of Banking Law and regulations, the bank's policies and rules, and ordinary banking practices and also for ensuring the reliability, integrity, and timely accessibility of the accounting and financial reporting systems and of the information contained therein. The Internal Control Department reports directly to the Board of Directors and provides information to the bank's senior management. Another function of the Internal Control Department is to develop early warning systems capable of identifying risks in advance and taking measures accordingly.

The Internal Control Department conducts its activities through 5 main services: Central Control, On-site Control, Information Systems and Compliance Checks, Reporting and Action Tracking and Risk Monitoring Self-Assessment.

Within the scope of the 2014 control plan, risk oriented control activities were conducted in the branches. At the same time, control design and test activities as well as inquiry investigations including controls within the scope of board's declaration were conducted in the Headquarters' units.

As a result of control activities, any incomplete and improper applications are reported to the Audit Committee on a quarterly basis and their completion statuses are followed.

Detailed training programs were prepared to increase the level of knowledge of internal control personnel as well as bringing their personal developments to the highest level. Internal and external training was provided accordingly.

As of 31 December 2014, the staff of the Internal Control Department consisted of 38 people.

Risk Management

Türkiye Finans's risk management structure consists of the Board of Directors, the Audit Committee, and the Risk Management Center. The aim of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling following risks: consolidated or unconsolidated risks through policies that are set to monitor the qualification and level of activities in parallel with the risk-reward structure of the Bank's future cash flows, monitoring and changing these activities when necessary; and risks stemming from transactions made with the risk group in which the Bank is involved.

Risk management activities carried out in 2014 are summarized below.

Identification and Measurement of Risks

Risks that the Bank is exposed to due within the context of Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process, other related legislation and internationally accepted standards are identified, measured, reported and monitored under the main titles of Credit Risk, Market Risk, Liquidity Risk and Operational Risk by considering the best implementations

Within this scope, the annual Internal Capital Adequacy Assessment Process (ICAAP) report is prepared. In addition to above mentioned risk types, the Bank also considers other types of risks. Türkiye Finans quantifies the potential impacts of these risks and monitors them regularly. As part of ICAAP, the Bank carries both the measurement of risks regarding the current period and the anticipation of risks that the bank may be exposed to in the future, and such risks are considered in stress test activities.

In addition, Türkiye Finans monitors new product designs and changes in the Bank's internal policies and procedures as well as business flows. Accordingly, the Bank conducts risk and impact assessments. Moreover, risks regarding support services which will be taken are analyzed.

Türkiye Finans utilizes statistical risk measurement and rating systems which are developed individually for all customer and credit types to effectively measure and manage risks. These systems are regularly monitored and their validation activities are carried out. Remedial actions are taken if necessary.

Details of activities conducted within the scope of measurement and rating of risks are given in "Information about Risk Management Policies on the Basis of Risk Type" section under the related risk category title.

Risk Monitoring and Reporting

The Risk Management Center seeks to understand, in advance, all changes and trends in the markets that the Bank operates in and the conditions by following economic data. The Risk Management Center reports its risk analysis and measurements to related units, the Senior Management and the Audit Committee. In addition, it also reports to the BRSA.

Necessary monitoring activities are conducted in view of the importance and materiality criteria on the basis of all risk types. Details which are categorized into risk types are provided in the "Information about Risk Management Policies on the Basis of Risk Types" section.

As of 31 December 2014, the Risk Management Center was staffed by 15 people. In order to enhance the personal and occupational development of the personnel, the staff participated in internal and external training, conferences and seminars. In doing so, the Bank continuously seeks to increase the level of knowledge in the field of risk management.

The Audit Committee's assessment of Internal Audit, Internal Control, Risk Management and Regulatory Compliance Functions; Committee Activities during the reporting period

Regulatory Compliance

The Regulatory Compliance Department operates to monitor compliance risk by effectively managing it within the framework of related legislation, regulations and standards while also creating awareness around the Bank.

The main duties and responsibilities of the department are as follows: to fulfill compliance monitoring activities within the framework of "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process", conducting the Compliance Program in line with the law on the Prevention of Money-Laundering and Financing Terrorism, providing full compliance with the provisions of "the Law no.5549 about Prevention of Money- Laundering and Financing Terrorism (the Law)", notifying the Bank management and related units in a timely manner of changes in legislation by following them; coordinating, monitoring and reporting compliance activities related to changes in legislation; managing notifications received through Ethics Line, conducting activities to settle ethics culture in the Bank, Preventing Money-Laundering and Financing Terrorism, carrying out training activities within the scope of Ethical Principles.

The Regulator Compliance Department is structured on three services: Product and Services Compliance Control Service, Struggle for Money-Laundering Service and External Legislation Coordination Service. As of 31 December 2014, the staff of the department consisted of 12 people. In 2012, the name of the MASAK Compliance Service was changed to the Service to Tackle Money Laundering. This service is divided functionally as "Enforcement Monitoring and Analysis" and "Suspicious Transaction Monitoring and Analysis".

In 2014, training on "Prevention of Money-Laundering and Financing Terrorism" was provided to 23% of the personnel through attendance learning, and 79% of the personnel through distance learning. In the same period, 23% of the personnel received "Compliance and Ethical Principles Training" through attendance learning and 18% of personnel took this training through distance learning.

Audit Committee



Lama Ghazzaoui
Member, Audit Committee



Oğuz KAYHAN
Member, Audit Committee

Information About Risk Management Policies by Risk Type

Credit Risk

The Risk Management Center is responsible for maintaining data in the credit risks that Türkiye Finans is exposed to on account of its loans, and for quantifying and analyzing such risks. Additionally, the center also monitors compliance with credit limits and criteria as prescribed by credit policies and reports the results of its risk monitoring, measurement, and analysis activities to the Board of Directors, the Audit Committee and to members of the senior management. In addition, all limits and concentrations for credit products, customers, terms, and for each sector and country are periodically checked for their compliance with lending policies as prescribed by applicable laws and regulations.

Credit risk is measured using “the Standardized Approach” set forth in the “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

The Center employs rating models for the credit risk quantification and grading of loans extended to SMEs, Commercial and Corporate Customers. These models are both appropriate for the sector and compliant with international standards, and make use of portfolio-specific statistical methods. These rating models not only come up with ratings for individual customers but also provide an estimate of a customer’s probability of default (PD).

In addition to these rating models, SMEs, Commercial and Corporate Customer credit risk measurement and grading also involve the use of a suite of “Target Market and Risk Acceptance Criteria” that allow judgments on individual customers’ ratings based on their sectoral, financial and market performance, market expectations, ratings and risk appetite.

In 2014, two new scoring models, which generate PD values unique to each portfolio were developed to measure and rate the risk of Micro and Enterprise credits.

In order to measure credit risk in a healthy and effective manner, Türkiye Finans uses scoring models that were developed through statistical methods unique to each portfolio with decision support systems and through which policies and business rules for Personal Financing Support and Credit Cards are managed systematically. In 2014, the Bank started to generate PD values with these scoring models.

Loans taken for close monitoring as well as non-performing loans are analyzed and recommendations are tabled to the Board of Directors, the Audit Committee and to members of senior management such that risk-mitigating measures may be taken based on the specific market, sector, customer, and product risk exposure as well as being in accordance with the Bank’s own practices and processes.

The risks associated with new products are analyzed based on a quantification of their potential impact on the Bank’s loan portfolio and the Bank’s financial structure.

The credit limit is systemically held to stress tests and scenario analyses on a regular basis in order to estimate how credit risks would be affected by possible crisis scenarios. Within the scope of stress test that are conducted, possible negative impact of scenarios on the Bank’s standard capital adequacy ratio is calculated

Information About Risk Management Policies by Risk Type

Market Risk

The factors contributing to Türkiye Finans' market risk exposure and to the potential impact of those risks are measured and reported to the BRSA on a regular basis.

Market risk is measured using the simple-method standardized approach set forth in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

Moreover, as part of Market risk management, The Risk Management Center monitors, checks, and reports compliance with limits that are specified by the Türkiye Finans Board of Directors, on a daily, monthly, and yearly basis.

Liquidity Risk

Türkiye Finans makes use of such strategies as diversifying its resources, obtaining longer-term funding and matching the maturities of its assets and liabilities in order to protect itself against exposure to liquidity risk.

The Risk Management Center has formulated liquidity risk quantification methodologies and methods aimed at measuring, analyzing, reporting and managing Türkiye Finans' exposure to liquidity risk. Target and warning indicators are followed in relation to liquidity risk. These indicators are assessed in the Asset Liability Committee and necessary actions are taken following the assessment.

Türkiye Finans has formulated and published a "Liquidity Risk Management & Contingency Plan" which sets out the actions and measures to be taken in the event of a shortage of liquidity, whether in the markets or in the Bank itself. The plan also defines those who are responsible for taking such actions and the measures to be taken, along with those who would be held accountable for their actions.

Operational Risk

Türkiye Finans currently quantifies its operational risk exposure using the "Basic Approach" prescribed by regulations pertaining to the calculation of capital requirements. The Bank is currently collecting loss data systematically in order to quantify operational risk exposure using the "Alternative Standard" or "Advanced Measurement" approaches as appropriate.

In order to abide by internationally recognized approaches in the management of operational risk, Türkiye Finans has adopted a risk terminology that is compatible with Basel II documentation. The use of such a common terminology ensures the consistency of an operational risk-related understanding and of communication throughout the Bank. Software solutions are being used to create a database of operational risk losses and to report such losses in order to formulate a standardized framework for operational risk management.

Risk control assessments (RCA) are performed periodically at Türkiye Finans as a basic requirement of Basel II operational risk practices. On one hand, these assessments are carried out to identify which of the Bank's business processes are exposed to operational risk and, on the other hand, to limit the impact of such risks through measures aimed at better supervising those responsible for the conduct of such processes.

Stress Tests and Scenario Analyses

Türkiye Finans regularly conducts stress tests and scenario analyses in order to measure the impacts of unexpected incidents and situations on the Bank's shareholders' equity, capital adequacy standard rate, and liquidity ratios by considering also other risks that are not defined in main risk categories. Risks are divided into main groups in the activities that are conducted by applying the shock application to the Bank's main on-book and off-book positions. Risks are exposed to sensitivity analyses and loss amounts that will be exposed in the event of the realization of potential scenarios.

The Statement Of Concerning Annual Report 2014

TÜRKİYE FİNANS KATILIM BANKASI AŞ

THE STATEMENT OF CONCERNING ANNUAL REPORT 2014

2014 Annual Report of the Türkiye Finans Katılım Bankası A.Ş. is prepared and presented in accordance with the framework of procedures and principles based on the "Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks", published on the Official Gazette nr.26333 dated 1 November 2006 and "Regulation on the Minimum Content Concerning the Determination of the Annual Report by Companies", published on the Official Gazette nr. 28395 dated 28 August 2012.

Year-End Annual Report for the period 01.01.2014-31.12.2014 of the Türkiye Finans Katılım Bankası A.Ş. is prepared and presented in accordance with "Communiqué on Principles of Financial Reporting in Capital Markets" published on the Official Gazette dated 13.06.2013 numbered 28676 has been examined by ourselves. Above mentioned report do not contain any untrue statement on material events or any deficiency that may be construed as misleading as of the date of disclosure and fairly reflect the truth relating to financial situation and operation results of Türkiye Finans Katılım Bankası A.Ş.



Mustafa BOYDAK
Chairman of the
Board of Directors



V. Derya GÜREK
CEO



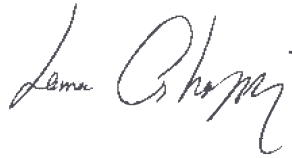
Abdüllatif ÖZKAYNAK
Finance
Executive Vice President



Eyüp ASKER
Legal Reporting &
Financial Control Dep.
Vice President



Oğuz KAYHAN
Audit Committee Responsible
for Internal Audit & Risk
Management



Lama Ahmad M GHAZZAOUI
Audit Committee Responsible
for Internal Audit & Risk
Management

Dividend Distribution Policy

Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA), are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase, whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase. At the Annual Shareholders' Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves.

It is envisaged that the Dividend Distribution Policy of the Bank will be set out in a way to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

Proposal of Profit Distribution

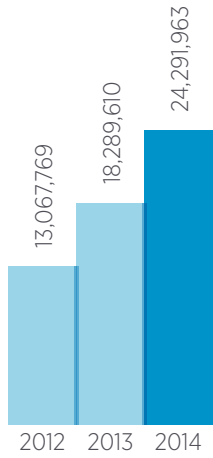
It has been recommended to the General Assembly to set aside first legal reserve in the amount of TL 15.672.516 after deducting taxes and dues payable in the amount of TL 91.057.078 from the current period profit of 2014 amounting to TL 425.285.301; from the remaining net profit for the period of 2014 in the amount of TL 334.228.223 pursuant to Article 519/1 of the New Turkish Commercial Code; and to allocate the remaining amount of TL 318.555.707 as the reserve for extraordinary reserves.

Assessment of Financial Position, Profitability and Solvency; Asset Quality and Profitability

Asset Quality and Profitability

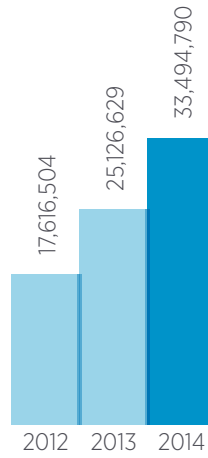
The total assets of Türkiye Finans increased by 33.3% YoY to reach TL 33.5 billion in value by the end of December 2014. The Bank posted a profit of TL 425 million before tax and net income of TL 334 million. The latter figure corresponds to a YoY increase of 1.5%.

Total Loans *
(TL thousand)

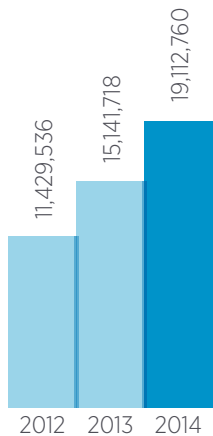


* including leasing receivables and rediscounts.

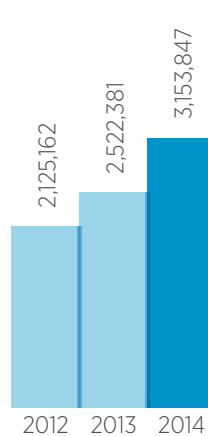
Total Assets
(TL thousand)



Funds Collected
(TL thousand)



Shareholders' Equity
(TL thousand)

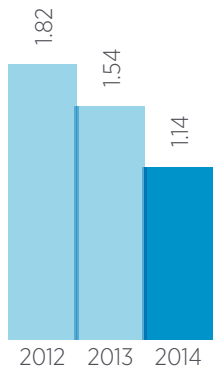


Funds Collected and Shareholders' Equity

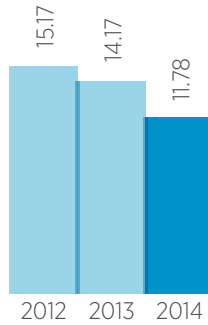
Funds collected, which represent the Bank's most important financial resource, increased by 26.1% YoY to reach TL 19.1 billion as of December 2014. Funds collected accounted for a 57% share in the Bank's overall balance sheet. Of this total, 65% is held in Turkish Lira and the remaining 35% in foreign currency accounts. With the inclusion of retained previous year profits, total shareholders' equity amounted to TL 3.2 billion in 2014.

The Bank's standard capital adequacy ratio stood at 12.47% as of the end of December 2014, compared to 12.81% a year ago.

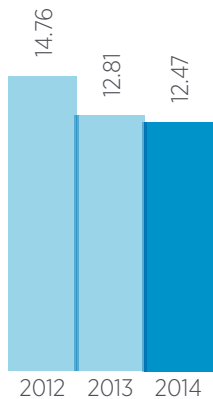
Return on Average Assets (ROAA %)



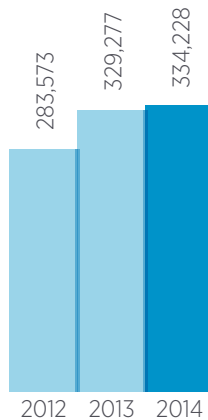
Return on Average Equity (ROAE %)



Capital Adequacy Ratio (%)



Net Income (TL thousand)



Information About Credit Rating Agency Rating Assignments and the Nature of Such Ratings

In its report dated December 2nd, 2014, Fitch Ratings – an international credit rating agency – confirmed our Bank's rating, which was granted by the same agency in 2013. According to the assessment, Türkiye Finans once again received one of the highest ratings among Turkish banks in 2014.

Fitch Ratings				
Credit Ratings	2011	2012	2013	2014
Foreign Currency				
Long Term	BBB-	BBB	BBB	BBB
Short Term	F3	F3	F3	F3
Outlook	Stable	Stable	Stable	Stable
Local Currency				
Long Term	BBB	BBB+	BBB+	BBB+
Short Term	F3	F2	F2	F2
Outlook	Stable	Stable	Stable	Stable
Sovereign				
Long Term	AAA(tur)	AAA(tur)	AAA(tur)	AAA(tur)
Financial Capacity Rating	bb-	bb-	bb-	bb-
Support Rating	2	2	2	2
Outlook	Stable	Stable	Stable	Stable

5-Year Summary Financial Information Including the Current Year

5-Year Summary Financial Information (TL thousand)

Assets

	2010	2011	2012	2013	2014
Cash and Banks	1,797,513	2,186,237	3,315,196	4,790,457	5,729,230
Securities	595,123	620,827	665,115	1,413,025	2,544,554
Loans	7,975,316	10,346,545	12,763,400	17,447,961	23,056,422
Receivables from Leases	24,304	56,330	304,369	841,649	1,235,541
Fixed Assets (Net)	132,273	124,461	215,498	248,838	466,741
Other Assets	167,331	193,953	352,926	384,699	462,302
Total Assets	10,691,860	13,528,353	17,616,504	25,126,629	33,494,790

Liabilities

	2010	2011	2012	2013	2014
Funds Collected	8,397,896	9,509,165	11,429,536	15,141,718	19,112,760
-Special Current Accounts	1,545,294	2,338,556	2,527,809	3,440,407	4,297,645
-Participation Accounts	6,852,602	7,170,609	8,901,727	11,701,311	14,815,115
Funds Received	126,812	1,511,956	2,503,943	5,166,009	8,569,415
Shareholders' Equity	1,406,096	1,613,659	2,125,162	2,522,381	3,153,847
-Paid-up Capital	800,000	800,000	1,650,000	1,775,000	2,600,000
Other Liabilities	761,056	893,573	1,557,863	2,296,521	2,658,768
Non-Cash Loans	4,280,460	6,538,539	7,108,697	8,904,139	10,648,417

Income and Expense Accounts

	2010	2011	2012	2013	2014
Profit Share Income	889,675	1,049,201	1,410,356	1,566,233	2,169,968
Profit Share Expenses	-416,692	-474,742	-618,245	-692,150	-1,072,136
Net Profit Share Income	472,983	574,459	792,111	874,083	1,097,832
Net Fee and Commission Income	83,035	95,939	108,231	128,272	148,598
Other Non-Profit Income	135,438	150,555	148,508	179,911	196,858
Non-Profit Share Expenses ^(*)	-485,927	-589,366	-765,277	-852,989	-1,109,060
Net Period Profit	205,529	231,587	283,573	329,277	334,228

^(*) Tax provisions included.

Independent Auditors' Report

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



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

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

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

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
Website of the Bank: www.turkiyefinans.com.tr
Electronic Mail Address to Contact: maliisler@turkiyefinans.com.tr

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 GÜNEREK

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

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Türkiye Finans Katılım Bankası AŞ

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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 Ghazzaoui are appointed as Member of Board instead of Mehmet Atilla Kurama and Brain Keith Belcher respectively.

Türkiye Finans Katılım Bankası AŞ

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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

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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)
- 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

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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
I. CASH AND BALANCES WITH CENTRAL BANK	(1)	885,425	4,271,199	5,156,624	558,306	3,277,948	3,836,254
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(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		-	-	-	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	85,491	487,115	572,606	484,448	469,755	954,203
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(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	-	-	-
VI. LOANS	(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)
VII. INVESTMENTS HELD TO MATURITY (Net)	(6)	568,400	-	568,400	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1 Consolidated under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial investments		-	-	-	-	-	-
8.2.2 Non-financial investments		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	100	-	100	50	-	50
9.1 Unconsolidated financial subsidiaries		100	-	100	50	-	50
9.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	(9)	-	-	-	-	-	-
10.1 Consolidated under equity method		-	-	-	-	-	-
10.2 Unconsolidated associates		-	-	-	-	-	-
10.2.1 Financial investments		-	-	-	-	-	-
10.2.2 Non-Financial investments		-	-	-	-	-	-
XI. LEASE RECEIVABLES (Net)	(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)
XII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
12.1 Fair value hedges		-	-	-	-	-	-
12.2 Cash flow hedges		-	-	-	-	-	-
12.3 Net foreign investment hedges		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (Net)	(12)	417,576	-	417,576	211,689	-	211,689
XIV. INTANGIBLE ASSETS (Net)	(13)	49,165	-	49,165	37,149	-	37,149
14.1 Goodwill		-	-	-	-	-	-
14.2 Other intangibles		49,165	-	49,165	37,149	-	37,149
XV. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVI. TAX ASSET		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
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	142	-	142	67	-	67
17.1 Assets held for sale		142	-	142	67	-	67
17.2 Assets of discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(17)	370,712	28,612	399,324	311,348	3,916	315,264
TOTAL ASSETS		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.

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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
I. FUNDS COLLECTED	(1)	12,443,928	6,668,832	19,112,760	9,641,978	5,499,740	15,141,718
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
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	4,758	4,724	9,482	21,646	16,660	38,306
III. FUNDS BORROWED	(3)	550,803	8,018,612	8,569,415	161,147	5,004,862	5,166,009
IV. MONEY MARKET BALANCES		652,629	-	652,629	721,560	-	721,560
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES		785,095	163,241	948,336	523,947	111,031	634,978
VII. OTHER LIABILITIES	(4)	401,761	22,007	423,768	529,521	19,752	549,273
VIII. LEASE PAYABLES (Net)	(5)	143,600	-	143,600	-	-	-
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)	-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(6)	-	51,547	51,547	-	-	-
9.1 Fair value hedges		-	-	-	-	-	-
9.2 Cash flow hedges		-	51,547	51,547	-	-	-
9.3 Net foreign investment hedges		-	-	-	-	-	-
X. PROVISIONS	(7)	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 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
XI. TAX LIABILITY	(8)	75,430	-	75,430	42,115	-	42,115
11.1 Current tax liability		75,430	-	75,430	42,115	-	42,115
11.2 Deferred tax liability		-	-	-	-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
12.1 Assets held for sale		-	-	-	-	-	-
12.2 Assets of discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED DEBTS	(10)	-	-	-	-	-	-
XIV. SHAREHOLDERS' EQUITY	(11)	3,153,576	271	3,153,847	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		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
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,531,384	14,963,406	33,494,790	14,455,538	10,671,091	25,126,629

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

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. 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
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,575,637	12,012,381	21,588,018	9,027,390	9,374,362	18,401,752
I. GUARANTEES AND SURETIES	(1)	6,258,680	4,389,737	10,648,417	5,366,183	3,537,956	8,904,139
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		-	-	-	-	-	-
II. COMMITMENTS	(1),(3)	2,250,199	1,312,057	3,562,256	2,039,251	323,509	2,362,760
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		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	1,066,758	6,310,587	7,377,345	1,621,956	5,512,897	7,134,853
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. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		306,585,038	27,506,680	334,091,718	227,673,881	21,497,196	249,171,077
IV. ITEMS HELD IN CUSTODY		3,558,794	2,977,416	6,536,210	2,015,989	1,560,842	3,576,831
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
V. PLEDGED ITEMS		303,026,244	24,503,419	327,529,663	225,657,892	19,911,659	245,569,551
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
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	25,845	25,845	-	24,695	24,695
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		316,160,675	39,519,061	355,679,736	236,701,271	30,871,558	267,572,829

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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. 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
I. PROFIT SHARE INCOME	(1)	2,169,968	1,566,233
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
II. PROFIT SHARE EXPENSE	(2)	1,072,136	692,150
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	-
III. NET PROFIT SHARE INCOME (I - II)		1,097,832	874,083
IV. NET FEES AND COMMISSIONS INCOME		148,598	128,272
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
V. DIVIDEND INCOME	(3)	-	-
VI. TRADING INCOME/EXPENSES (Net)	(4)	25,657	71,677
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
VII. OTHER OPERATING INCOME	(5)	171,201	108,234
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		1,443,288	1,182,266
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(299,462)	(202,750)
X. OTHER OPERATING EXPENSES (-)	(7)	(718,541)	(567,004)
XI. NET OPERATING INCOME/EXPENSE (VIII-IX-X)		425,285	412,512
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	(8)	425,285	412,512
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(9)	(91,057)	(83,235)
16.1 Current tax charge		(111,835)	(80,719)
16.2 Deferred tax charge/(credit)		20,778	(2,516)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(10)	334,228	329,277
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	334,228	329,277

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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 INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
	THOUSAND TURKISH LIRA	
	CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)	PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)
INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	60,206	(54,620)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	27,713	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(5,873)	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(3,051)	(16,702)
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(6,852)	14,264
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	72,143	(57,058)
XI. CURRENT PERIOD PROFIT/LOSSES	334,638	329,277
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
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	406,781	272,219

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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)	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		326,492
1.1.1	Profit share income received		1,517,647
1.1.2	Profit share expense paid		(675,851)
1.1.3	Dividend received		-
1.1.4	Fees and commissions received		177,712
1.1.5	Other income		38,961
1.1.6	Collections from previously written off loans and other receivables		112,797
1.1.7	Cash payments to personnel and service suppliers		(437,668)
1.1.8	Taxes paid		(86,908)
1.1.9	Other	(1)	(526,683)
1.2	Changes in Operating Assets and Liabilities		1,422,817
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
I.	Net cash provided from banking operations		1,749,309
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(1,228,488)
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)	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		1,192,150
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
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	202,141
V.	Net increase/(decrease) in cash and cash equivalents		1,087,054
VI.	Cash and cash equivalents at beginning of period	(4)	1,599,964
VII.	Cash and cash equivalents at end of period	(4)	1,878,601

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

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.

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

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

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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)
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT ^(*)		
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 ^(**)	20,778	(2,516)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	334,228	329,277
1.3	PRIOR YEAR'S LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(16,590)
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	-	312,687
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	-	-
II.	DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred 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 (-)	-	-
III.	EARNINGS PER SHARE		
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 (%)	-	-
IV.	DIVIDEND PER SHARE		
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 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.

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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:

Tangible Assets	Estimated Useful Lives
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 ^(*)	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 ^(**)	-	-	-	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.

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Prior Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	348,093	624,878	209,295	-	1,182,266
Net profit of segment ^(*)	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	782,785	25,126,629
Total Assets	3,244,040	15,803,412	5,296,392	782,785	25,126,629
Liabilities of segment	7,762,755	8,848,380	5,465,287	527,826	22,604,248
Equity	-	-	-	2,522,381	2,522,381
Total liabilities and equity	7,762,755	8,848,380	5,465,287	3,050,207	25,126,629
Other segment items	-	-	-	38,610	38,610
Depreciation ^(**)	-	-	-	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 personal banking to corporate banking. This adjustment caused report in compliance with segments on 31 December 2013 change.

^(**) Personnel and Administrative expenses were allocated in the ratio of the segment's assets and liabilities.

^(***) 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.

	Current Period
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
	Prior Period
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
TIER 1 CAPITAL	
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	-
Tier I Capital Before Deductions	3,173,318
Deductions From Tier I Capital	
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 (-)	-
Total regulatory adjustments to Tier 1 capital	64,482
Tier 1 capital	3,108,836

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ADDITIONAL CORE CAPITAL	Current Period
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)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
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 (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	
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
Total Core Capital	3,040,203
TIER II CAPITAL	
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
Tier II Capital before Deductions	127,008
Deductions from Tier II Capital	
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 (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	127,008

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CAPITAL	Current Period
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 (-)	-
EQUITY	3,164,601
Amounts lower than Excesses as per Deduction Rules	
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
CORE CAPITAL	
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) (-)	-
Total Core Capital	2,402,528
SUPPLEMENTARY CAPITAL	
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)	-
Total Supplementary Capital	97,482
CAPITAL	2,500,010
DEDUCTIONS FROM THE CAPITAL	1,806
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
TOTAL SHAREHOLDERS' EQUITY	2,498,204

(*) 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).

Risk Classifications	Current Period Risk Amount ^(*)	Average Risk Amount
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

^(*) 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
	Current Period				
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	Total	7,768,699	31	73,881	1,263,347
	Prior Period				
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	Total	5,678,069	29	20,631	992,549

* 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
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	11,881,901	6,990,324	7,706,247	102,415	579,986	1,123,658	37,490,489
	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
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	10,209,512	4,588,954	5,477,406	67,759	334,019	743,567	28,112,495

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Risk profile by sectors or counterparties

	Sectors/Counterparties	Risk Classifications ^(*)					
		1	2	3	4	5	6
1	Agriculture	-	-	-	-	262,921	83,796
1.1	Farming and Stockbreeding	-	-	-	-	262,921	83,796
1.2	Forestry	-	-	-	-	-	-
1.3	Fishery	-	-	-	-	-	-
2	Manufacturing	-	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	Construction	-	-	-	-	2,033,529	866,421
4	Services	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	Other	-	17	3,171	-	502,201	1,622,637
6	Total	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
	76,143	2,428	455	515	386,282	39,976	426,258
	76,143	2,428	455	515	386,282	39,976	426,258
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,051,946	22,763	39,532	1,935	5,256,217	1,976,064	7,232,281
	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
	1,583,504	18,856	12,752	1,716	3,897,792	618,986	4,516,778
	2,292,921	36,457	56,836	1,057,687	12,648,852	7,282,434	19,931,286
	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
	2,701,733	21,911	470,411	61,805	5,113,278	270,608	5,383,886
	7,706,247	102,415	579,986	1,123,658	27,302,421	10,188,068	37,490,489

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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	-	-	-	-
TOTAL	5,026,320	2,730,226	3,409,584	5,258,659	16,935,649

(*) 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	Agriculture	16,066	11,934	3,347	7,808
1.1	Farming and Stockbreeding	16,059	11,934	3,347	7,801
1.2	Forestry	1	-	-	1
1.3	Fishery	6	-	-	6
2	Manufacturing	153,364	174,084	49,386	99,568
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	Construction	106,193	140,837	31,659	70,594
4	Services	243,499	304,503	83,239	147,897
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	Other	78,195	135,861	31,981	42,980
6	Total	597,317	767,219	199,612	368,847

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 ^(*)	Historical Default Rates %	Total ^(*)
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
Total	-	35,309,227

^(*) The amounts comprise of loans, leasing receivables and commitments and contingencies.

^(*) 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	-	-
Total	6,528	29,760

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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

	Amount
(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
Total Value at Risk	103,421	138,029	78,852	92,068	135,966	59,427

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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
Current Period				
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 ⁽⁴⁾	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	145	831,415	-	831,560
Loans ⁽¹⁾	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 ⁽²⁾	485,486	285,988	399	771,873
Total Assets	3,154,643	10,204,058	806,883	14,165,584
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 ⁽⁶⁾	-	-	-	-
Other Liabilities ⁽³⁾	23,997	48,149	688	72,834
Total Liabilities	2,770,168	10,550,011	1,603,340	14,923,519
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 ⁽⁵⁾	1,206,424	3,081,849	101,464	4,389,737

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	EUR	USD	Other FC	Total
Prior Period				
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 ⁽⁵⁾	1,143,731	2,327,049	67,176	3,537,956

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ No effect on net off balance sheet position.

⁽⁶⁾ 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

^(*) 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
1	Securities Available-for-Sale	4,370	-	-
	Quoted Securities	-	-	-
2	Associates	-	-	-
	Quoted Securities	-	-	-
3	Subsidiaries	100	-	-
	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
Current Period								
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
Total Assets	6,106,205	2,720,873	4,444,775	9,080,931	9,503,139	880,069	758,798	33,494,790
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
Total Liabilities	5,537,540	12,679,857	3,309,773	3,596,677	4,863,116	4	3,507,823	33,494,790
Liquidity Gap	568,665	(9,958,984)	1,135,002	5,484,254	4,640,023	880,065	(2,749,025)	-
Prior Period								
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.

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	4,290,192	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
Total	5,134,441	12,636,415	3,301,609	3,833,584	5,399,699	4	(858,343)	29,447,409
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	3,428,341	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
	-	-	-	-	-	-	-	-
Total	4,208,987	9,556,704	2,438,148	2,680,026	3,174,038	-	(168,932)	21,888,971

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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
Total	5,099,856	8,299,767	1,529,010	3,680,401	2,803,909	175,075	21,588,018

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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
Total	4,523,250	7,418,347	1,852,773	1,733,857	2,654,828	218,697	18,401,752

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.

Risk Classifications	Amount ^(*)	Financial Collaterals	Other/ Physical Collaterals	Guarantees and credit derivatives
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
Financial Assets	30.365.493	22.967.192	25.054.699	19.027.072
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 ^(**)	24.063.493	18.172.359	23.893.502	18.068.493
Investment Held To Maturity ^(****)	568.400	-	584.221	-
Financial Liabilities	28.630.511	20.942.705	28.601.199	20.928.776
Funds Collected from Banks Via Current and Profit Sharing Accounts ^(***)	384.767	350.617	384.767	350.617
Current and Profit Sharing Accounts ^(****)	18.727.993	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

^(*) 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

^(****) 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
Financial Assets at Fair Value	-	1,997,894	-	1,997,894
Financial Liabilities Held for Trading	-	10,068	-	10,068
Derivative Financial Liabilities Held for Trading	-	51,547	-	51,547
Financial Assets at Fair Liability Value	-	61,615	-	61,615

(*) 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
Financial Assets at Fair Value		1,455,318	-	1,455,318
Derivative Financial Liabilities Held for Trading	-	39,140	-	39,140
Financial Liabilities at Fair Value	-	39,140	-	39,140

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	-	-	-
Total	577,739	-	51,547	-	-	-

(*) 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) ^(*)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ^(*)
			Asset	Liability	
Swap Transactions	Marketable securities issued	Cash flow risk due to the changes in the foreign exchange rates	-	51,547	(3,668)

^(*) Includes the deferred tax effect.

^(*) 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
Total	885,425	4,271,199	558,306	3,277,948

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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 ^(*)	-	2,749,896	-	2,906,723
Total	756,723	4,173,339	469,277	3,212,187

^(*) 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	-	-	-	-
Total	9,290	16,151	33,793	12,678

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	-	-	-	-
Total	85,491	487,115	484,448	469,755

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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	-	-
Total	89,875	90,077	-	-

(*) 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	-	-
Total	1,976,154	1,413,025

(*) 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	-
Total	16,335	24,475	15,473	33,432

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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
Cash Loans	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	-	-
Other Receivables						
Total	22,060,733	45,307	1,054	767,219	331,675	5,474

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
Short-Term Loans and Other Receivables	6,265,839	-	116,835	-
Loans	6,265,839	-	116,835	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	15,793,840	1,054	644,910	5,474
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
Total	785,786	688,666

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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
Consumer Loans - TL	72,844	3,930,285	4,003,129
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
Consumer Loans - FC Indexed	-	9,652	9,652
Real Estate Loans	-	9,633	9,633
Auto Loans	-	-	-
General Purpose Consumer Loans	-	19	19
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	261,427	7,530	268,957
With Instalment	73,219	7,530	80,749
Without Instalment	188,208	-	188,208
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	953	7,382	8,335
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
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7,866	17	7,883
With Instalment	2,616	17	2,633
Without Instalment	5,250	-	5,250
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
Total	343,090	3,954,866	4,297,956

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5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	96,839	779,863	876,702
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
Commercial Loans with Instalment - FC Indexed	140	26,537	26,677
Business Loans	140	22,722	22,862
Auto Loans	-	156	156
General Purpose Consumer Loans	-	2,267	2,267
Other	-	1,392	1,392
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	73,122	2,125	75,247
With Instalment	13,401	2,125	15,526
Without Instalment	59,721	-	59,721
Corporate Credit Cards-FC			
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	170,101	808,525	978,626

5.7. Loan Distribution According to Borrowers

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

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
Total	22,827,952	17,330,710

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
Total	368,847	323,821

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

⁽¹⁾ 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
Current Period:			
Period Ending Balance	-	16	5,066
Specific Provisions (-)	-	(16)	(5,066)
Net Balance on Balance Sheet	-	-	-
Prior Period:			
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
Current Period (Net)	99,042	72,499	56,929
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
Prior Period (Net)	18,188	42,464	56,599
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
Total	597,317	441,072

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 ^(*)	0-30 Days	31- 60 Days	61- 90 Days	Total
Loans and Receivables				
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
Total	46,254	28,381	13,728	88,363

^(*) Only past due loans are presented and the principals of unpaid loans.

Prior Period ^(*)	0-30 Days	31- 60 Days	61- 90 Days	Total
Loans and Receivables				
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
Total	29,015	25,958	12,716	67,689

^(*) 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 ^(*)	568,400	-
Impairment Provision (-)	-	-
Total	568,400	-

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
Total	1,429,078	1,235,541	968,255	841,649

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	-	-
Total	1,235,541	841,649

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
Cost				
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
Ending Balance	302,550	5,673	254,205	562,428
Accumulated Depreciation				
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
Ending Balance	(709)	(5,775)	(138,368)	(144,852)
Prior Period Net Book Value	112,862	-	98,827	211,689
Current Period Net Book Value	301,841	(102)	115,837	417,576

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

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

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).

	Current Period	
	Deferred Tax Base Amount	Deferred Tax Asset/(Liability)
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
Deferred Tax Asset (net)	-	36,626

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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
Deferred Tax Asset (net)	-	22,649

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
Deferred Tax Asset	36,626	22,649

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

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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
I. Real Persons Current Accounts-TL	894,578	-	-	-	-	-	-	-	894,578
II. Real Persons Profit Sharing Accounts-TL	-	2,489,240	2,401,698	108,147	-	108,118	610,879	-	5,718,082
III. Other Current Accounts-TL	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	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TL	-	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
V. Real Persons Current Accounts-FC	373,888	-	-	-	-	-	-	-	373,888
VI. Real Persons Profit Sharing Accounts-FC	-	945,547	902,863	72,182	-	124,642	353,457	-	2,398,691
VII. Other Current Accounts-FC	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	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	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
IX. Precious Metal Accounts	404,567	-	7,212	239,325	-	7,902	-	-	659,006
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	3,440,407	4,148,792	5,361,752	641,863	-	354,350	1,194,554	-	15,141,718

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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
Real Persons Current and Profit Sharing Accounts that are not Subject to the Commercial Activities	5,917,598	5,172,050	6,183,337	4,794,572
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	-	-	-	-
Total	4,758	4,724	21,646	16,660

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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
Total	550,803	8,018,612	161,147	5,004,862

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
Total	550,803	8,018,612	161,147	5,004,862

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	-	-	-	-
Total	145,644	143,600	-	-

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	-	-	-	-
Total	-	51,547	-	-

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 ^(*)	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

^(*) 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 ^(*)	28,942	27,606
Provision for Credit Cards Promotion Commitments	2,042	1,880
Total	75,799	89,739

^(*) 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
Total	68,854	37,037

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
Total	6,576	5,078

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	-	-	-	-
Total	7,431	3,939	(20,836)	(15,959)

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
Total	3,562,256	2,362,760

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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	-	-
Total	10,648,417	8,904,139

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
Total	9,230,089	7,726,279

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
Total	10,648,417	8,904,139

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	79,983	1.28	38,796	0.88	79,222	1.47	42,218	1.19
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
Manufacturing	1,059,920	16.93	2,062,700	47.00	1,056,233	19.69	1,752,349	49.54
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
Construction	2,399,012	38.33	869,400	19.81	2,084,663	38.85	582,435	16.46
Services	2,659,105	42.49	1,400,998	31.91	2,101,092	39.15	1,132,742	32.01
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
Other	60,660	0.97	17,843	0.40	44,973	0.84	28,212	0.80
Total	6,258,680	100.00	4,389,737	100.00	5,366,183	100.00	3,537,956	100.00

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

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-Cash Loans	6,143,917	4,364,012	114,763	25,725
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
Type of Trading Transactions		
Foreign Currency Related Derivative Transactions (I):	6,766,010	6,758,916
Forward Transactions	1,743,652	3,464,413
Swap Transactions	5,022,358	3,294,503
Futures Transactions	-	-
Option Transactions	-	-
Other Trading Derivative Transactions (II)	611,335	375,937
A. Total Trading Derivative Transactions (I+II)	7,377,345	7,134,853

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 ⁽¹⁾	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	-	-	-	-
Total	1,868,361	55,184	1,387,011	49,919

⁽¹⁾ 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	-	-	-	-
Total	529	320	135	302

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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	-	-	-
Total	122,908	16,222	58,108	8,460

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 ^(*)	15,201	133,118	6,455	102,448
Branches and Head Office Abroad	-	-	-	-
Other Institutions	1,376	102,507	-	27,008
Total	16,577	237,217	6,455	130,737

(*) 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		
Turkish Lira							
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
Total	185,040	374,544	14,324	14,262	40,650	-	628,820
Foreign Currency							
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
Total	33,456	69,497	5,187	6,885	9,737	-	124,762
Grand Total	218,496	444,041	19,511	21,147	50,387	-	753,582

3. Information on Dividend Income

None (31 December 2013: None).

4. Information on Trading Income/Losses (net)

	Current Period	Previous Period
Income	2,782,686	2,451,529
Trading Account Income	1,782	1,238
Derivative Financial Instruments	566,311	514,178
Foreign Exchange Gains	2,214,593	1,936,113
Losses (-)	(2,757,029)	(2,379,852)
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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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
Total	171,201	108,234

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

	Current Period	Previous Period
Specific Provisions for Loans and Other Receivables	220,188	154,990
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
General Provision Expenses	49,651	13,349
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	-	-
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	-	-
Impairment Provision Expenses	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
Other ^(*)	29,623	34,411
Total	299,462	202,750

^(*) 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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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
Total	718,541	567,004

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
Income Tax Expense	91,057	83,235

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
Total	139,516	94,584
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
Total	84,494	49,440

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
Total Cash and Cash Equivalents	2,965,655	1,878,601

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
Loans and Others Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	106	33,432	202,554	100,277
Balance at the end of the period ^(*)	-	-	117	24,475	99,128	86,904
Profit Share and Commission Income	-	-	5,286	-	29,875	554

(*) 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
Loans and Others Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	116	74,318	85,459	89,573
Balance at the end of the period ^(*)	-	-	106	33,432	202,554	100,277
Profit Share and Commission Income	-	-	422	7	49,747	579

(*) 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
Current and Profit Sharing Accounts						
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
Profit Share Expenses ^(*)	-	-	8,166	12,397	3,451	5,296

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
Financial Transactions at fair value through profit/loss						
Balance at the beginning of the period	-	-	-	-	-	9,032
Balance at the end of the period	-	-	-	-	37,623	-
Total Profit/Loss	-	-	-	-	(66)	3
Derivative Instruments Held for Risk Management						
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
Loans Received						
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	-	-
Profit Share and Commission Expense ^(*)	112,470	27,008	44,715	37,320	-	-

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:

Foreign Currency	
Long Term	BBB
Short Term	F3
View	Stable
Turkish Lira	
Long Term	BBB+
Short Term	F2
View	Stable
National	
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

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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 GÜREK

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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Türkiye Finans Katılım Bankası AŞ

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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 Atila Kurama and Brain Keith Belcher respectively.

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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.

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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

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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
I. CASH AND BALANCES WITH CENTRAL BANK	(1)	885,425	4,271,199	5,156,624	558,306	3,277,948	3,836,254
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(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		-	-	-	-	-	-
III. BANKS	(3)	85,491	487,115	572,606	484,448	469,755	954,203
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(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	-	-	-
VI. LOANS	(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)
VII. INVESTMENTS HELD TO MATURITY (Net)	(6)	568,400	-	568,400	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1 Consolidated under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial investments		-	-	-	-	-	-
8.2.2 Non-financial investments		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	(9)	-	-	-	-	-	-
10.1 Consolidated under equity method		-	-	-	-	-	-
10.2 Unconsolidated associates		-	-	-	-	-	-
10.2.1 Financial investments		-	-	-	-	-	-
10.2.2 Non-Financial investments		-	-	-	-	-	-
XI. LEASE RECEIVABLES (Net)	(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)
XII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
12.1 Fair value hedges		-	-	-	-	-	-
12.2 Cash flow hedges		-	-	-	-	-	-
12.3 Net foreign investment hedges		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (Net)	(12)	417,984	-	417,984	211,689	-	211,689
XIV. INTANGIBLE ASSETS (Net)	(13)	49,165	-	49,165	37,149	-	37,149
14.1 Goodwill		-	-	-	-	-	-
14.2 Other intangibles		49,165	-	49,165	37,149	-	37,149
XV. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVI. TAX ASSET		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
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	142	-	142	67	-	67
17.1 Assets held for sale		142	-	142	67	-	67
17.2 Assets of discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(17)	370,749	28,612	399,361	311,348	3,916	315,264
TOTAL ASSETS		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	
LIABILITIES AND EQUITY								
I.	FUNDS COLLECTED	(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
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	4,758	4,724	9,482	21,646	16,660	38,306
III.	FUNDS BORROWED	(3)	490,399	5,149,698	5,640,097	161,147	3,930,615	4,091,762
IV.	MONEY MARKET BALANCES		652,629	-	652,629	721,560	-	721,560
V.	MARKETABLE SECURITIES ISSUED (Net)	(4)	202,949	2,868,914	3,071,863	-	1,074,246	1,074,246
VI.	MISCELLANEOUS PAYABLES		785,116	163,241	948,357	523,932	111,031	634,963
VII.	OTHER LIABILITIES	(5)	401,761	22,007	423,768	529,523	19,752	549,275
VIII.	LEASE PAYABLES (Net)	(6)	-	-	-	-	-	-
8.1	Finance lease payables		-	-	-	-	-	-
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(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		-	-	-	-	-	-
X.	PROVISIONS	(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
XI.	TAX LIABILITY	(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		-	-	-	-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
12.1	Assets held for sale		-	-	-	-	-	-
12.2	Assets of discontinued operations		-	-	-	-	-	-
XIII.	SUBORDINATED DEBTS	(11)	-	-	-	-	-	-
XIV.	SHAREHOLDERS' EQUITY	(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		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			18,526,504	14,963,406	33,489,910	14,455,489	10,671,090	25,126,579

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TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS								
THOUSAND TURKISH LIRA								
	Footnotes (5-III)	CURRENT PERIOD Audited (31/12/2014)			PRIOR PERIOD Audited (31/12/2013)			
		TL	FC	Total	TL	FC	Total	
		A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,575,637	12,012,381	21,588,018	9,027,390	9,374,362
I. GUARANTEES AND SURETIES	(1)	6,258,680	4,389,737	10,648,417	5,366,183	3,537,956	8,904,139	
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		-	-	-	-	-	-	
II. COMMITMENTS	(1),(3)	2,250,199	1,312,057	3,562,256	2,039,251	323,509	2,362,760	
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		-	-	-	-	-	-	
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	1,066,758	6,310,587	7,377,345	1,621,956	5,512,897	7,134,853	
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. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		306,585,038	27,506,680	334,091,718	227,673,881	21,497,196	249,171,077	
IV. ITEMS HELD IN CUSTODY		3,558,794	2,977,416	6,536,210	2,015,989	1,560,842	3,576,831	
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	
V. PLEDGED ITEMS		303,026,244	24,503,419	327,529,663	225,657,892	19,911,659	245,569,551	
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	
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	25,845	25,845	-	24,695	24,695	
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		316,160,675	39,519,061	355,679,736	236,701,271	30,871,558	267,572,829	

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

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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
I. PROFIT SHARE INCOME	(1)	2,172,475	1,566,233
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
II. PROFIT SHARE EXPENSE	(2)	1,072,132	692,151
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		-	-
III. NET PROFIT SHARE INCOME/EXPENSE (I - II)		1,100,343	874,082
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		148,597	128,272
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
V. DIVIDEND INCOME	(3)	-	-
VI. TRADING INCOME/EXPENSES (Net)	(4)	25,657	71,677
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
VII. OTHER OPERATING INCOME	(5)	171,201	108,234
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		1,445,798	1,182,265
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(299,462)	(202,750)
X. OTHER OPERATING EXPENSES (-)	(7)	(720,802)	(567,003)
XI. NET OPERATING INCOME/EXPENSE (VIII-IX-X)		425,534	412,512
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV. NET MONETARY POSITION GAIN/LOSS		-	-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	(8)	425,534	412,512
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(9)	(91,107)	(83,235)
16.1 Current tax provision		(111,885)	(80,719)
16.2 Deferred tax provision		20,778	(2,516)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(10)	334,427	329,277
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	334,427	329,277
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

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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. CONSOLIDATED STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
	THOUSAND TURKISH LIRA	
	CURRENT PERIOD Audited (01/01/2014 - 31/12/2014)	PRIOR PERIOD Audited (01/01/2013 - 31/12/2013)
INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	60,206	(54,620)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	27,713	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(5,463)	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(3,051)	(16,702)
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(11,022)	14,264
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	68,383	(57,058)
XI. CURRENT PERIOD PROFIT/LOSSES	334,427	329,277
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
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	402,810	272,219

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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. 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)	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		328,960
			120,007
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		138,167
1.1.8	Taxes paid		(541,666)
1.1.9	Other	(1)	(88,908)
			(526,679)
1.2	Changes in Operating Assets and Liabilities		(431,653)
			(714,915)
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		(6,106,062)
1.2.6	Net Increase (Decrease) in bank deposits		(5,261,777)
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)
		(1)	3,927,360
			3,716,760
			1,548,738
			-
			1,392,768
			-
			626,486
I.	Net cash provided from banking operations		(102,693)
			(594,908)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(1,125,216)
			(796,433)
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
		(1)	61,086
			-
			-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		2,112,822
			1,192,150
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		-
3.3	Equity instruments issued		1,067,150
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)	202,141
			477,828
V.	Net increase/(decrease) in cash and cash equivalents		1,087,054
			278,637
VI.	Cash and cash equivalents at beginning of period	(4)	1,878,601
			1,599,964
VII.	Cash and cash equivalents at end of period	(4)	2,965,655
			1,878,601

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

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

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

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

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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)
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT ^(*)		
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 ^(**)	20,778	(2,516)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	334,427	329,277
1.3	PRIOR YEAR'S LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(16,590)
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	-	312,687
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	-	-
II.	DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred 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 (-)	-	-
III.	EARNINGS PER SHARE		
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 (%)	-	-
IV.	DIVIDEND PER SHARE		
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.

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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 ^(*)	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 ^(**)	-	-	-	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 ^(*)	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	348,093	624,877	209,295	-	1,182,265
Net profit of segment ^(**)	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 ^(***)	-	-	-	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.

	Participation Bank	Consolidated
	Current Period	Current Period
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
	Participation Bank	Consolidated
	Prior Period	Prior Period
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

	Current Period
TIER 1 CAPITAL	
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	-
Tier I Capital Before Deductions	3,169,754
Deductions From Tier I Capital	
	-
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 (-)	-
Total regulatory adjustments to Tier 1 capital	63,648
Tier 1 capital	3,106,106

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ADDITIONAL CORE CAPITAL	Current Period
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	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	-
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 (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	-
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
Total Core Capital	3,040,809
TIER II CAPITAL	
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	-
Tier II Capital before Deductions	127,008
Deductions from Tier II Capital	-
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 (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	127,008

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CAPITAL	Current Period
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 (-)	-
EQUITY	3,165,207
Amounts lower than Excesses as per Deduction Rules	-
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
CORE CAPITAL	
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	-
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) (-)	-
Total Core Capital	2,402,528
SUPPLEMENTARY CAPITAL	
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	-
Total Supplementary Capital	97,482
CAPITAL	2,500,010
DEDUCTIONS FROM THE CAPITAL	1,806
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
TOTAL SHAREHOLDERS' EQUITY	2,498,204

(*) 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).

Risk Classifications	Current Period Risk Amount ^(*)	Average Risk Amount
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

^(*) 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
Current Period					
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	Total	7,768,699	31	73,881	1,263,347
Prior Period					
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	Total	5,678,069	29	20,631	992,549

* 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
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	11,880,845	6,990,324	7,706,247	102,415	579,986	1,119,833	37,485,608
	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
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	10,209,512	4,588,954	5,477,406	67,759	334,019	743,567	28,112,495

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Risk profile by sectors or counterparties

	Sectors/Counterparties	Risk Classifications ⁽¹⁾					
		1	2	3	4	5	6
1	Agriculture	-	-	-	-	262,921	83,796
1.1	Farming and Stockbreeding	-	-	-	-	262,921	83,796
1.2	Forestry	-	-	-	-	-	-
1.3	Fishery	-	-	-	-	-	-
2	Manufacturing	-	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	Construction	-	-	-	-	2,033,529	866,421
4	Services	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	Other	-	17	3,171	-	501,145	1,622,637
6	Total	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

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

	Risk Classifications ^(c)						
	7	8	9	10	TC	FC	Total
	76,143	2,428	455	515	386,282	39,976	426,258
	76,143	2,428	455	515	386,282	39,976	426,258
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,051,946	22,763	39,532	1,935	5,256,217	1,976,064	7,232,281
	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
	1,583,504	18,856	12,752	1,716	3,897,792	618,986	4,516,778
	2,292,921	36,457	56,836	1,057,687	12,648,852	7,282,434	19,931,286
	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
	2,701,733	21,911	470,411	57,980	5,108,397	270,608	5,379,005
	7,706,247	102,415	579,986	1,119,833	27,297,540	10,188,068	37,485,608

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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	-	-	-	-
TOTAL	5,026,320	2,730,226	3,409,584	5,258,659	16,935,649

(*) 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	Agriculture	16,066	11,934	3,347	7,808
1.1	Farming and Stockbreeding	16,059	11,934	3,347	7,801
1.2	Forestry	1	-	-	1
1.3	Fishery	6	-	-	6
2	Manufacturing	153,364	174,084	49,386	99,568
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	Construction	106,193	140,837	31,659	70,594
4	Services	243,499	304,503	83,239	147,897
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	Other	78,195	135,861	31,981	42,980
6	Total	597,317	767,219	199,612	368,847

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 ^(*)	Historical Default Rates %	Total ^(*)
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
Total		35,413,945

^(*) The amounts comprise of loans, leasing receivables and commitments and contingencies.

^(*) 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	-	-
Total	6,528	29,760

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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

	Amount
(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
Total Value at Risk	103,421	138,029	78,852	92,068	135,966	59,427

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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
Current Period				
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 ⁽⁴⁾	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	145	831,415	-	831,560
Loans ⁽¹⁾	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 ⁽²⁾	485,486	285,988	399	771,873
Total Assets	3,154,643	10,204,058	806,883	14,165,584
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 ⁽⁶⁾	-	-	-	-
Other Liabilities ⁽³⁾	23,997	48,149	688	72,834
Total Liabilities	2,770,168	10,550,011	1,603,340	14,923,519
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 ⁽⁵⁾	1,206,424	3,081,849	101,464	4,389,737

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	EUR	USD	Other FC	Total
Prior Period				
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 ⁽⁵⁾	1,143,731	2,327,049	67,176	3,537,956

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ No effect on net off balance sheet position.

⁽⁶⁾ 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

^(*) 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
1	Securities Available-for-Sale	4,370	-	-
	Quoted Securities	-	-	-
2	Associates	-	-	-
	Quoted Securities	-	-	-
3	Subsidiaries	-	-	-
	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
Current Period								
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
Total Assets	6,106,242	2,720,949	4,443,643	9,080,932	9,503,139	880,069	754,936	33,489,910
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
Total Liabilities	5,537,191	12,679,920	3,308,741	3,596,677	4,863,118	4	3,504,259	33,489,910
Liquidity Gap	569,051	(9,958,971)	1,134,902	5,484,255	4,640,021	880,065	(2,749,323)	-
Prior Period								
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
Total	5,134,092	12,636,478	3,300,578	3,833,584	5,399,701	4	(858,344)	29,446,093
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
Total	4,208,949	9,556,704	2,438,148	2,680,026	3,174,038	-	(168,933)	21,888,932

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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
Total	5,099,856	8,299,767	1,529,010	3,680,401	2,803,909	175,075	21,588,018

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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
Total	4,523,250	7,418,347	1,852,773	1,733,857	2,654,828	218,697	18,401,752

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.

Risk Classifications	Amount ^(*)	Financial Collaterals	Other/ Physical Collaterals	Guarantees and credit derivatives
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	-	-

^(*) 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
Financial Assets	30,470,211	22,967,192	30,316,041	22,863,326
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	-
Financial Liabilities	29,425,336	21,664,211	29,253,479	21,650,283
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
Financial Assets at Fair Value	-	1,892,121	-	1,892,121
Derivative Financial Liabilities Held for Trading ^(*)	-	10,068	-	10,068
Derivative Financial Liabilities Held for Risk Management	-	51,547	-	51,547
Financial Liabilities at Fair Value	-	61,615	-	61,615

(*) 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
Financial Assets at Fair Value	-	1,455,318	-	1,455,318
Derivative Financial Liabilities Held for Trading	-	39,140	-	39,140
Financial Liabilities at Fair Value	-	39,140	-	39,140

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 ^(*)	Asset	Liability	Notional ^(*)	Asset	Liability
Hedging instrument	-	-	-	-	-	-
Cross Currency Swap	577,739	-	51,547	-	-	-
Total	577,739	-	51,547	-	-	-

(*) 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) ^(*)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ^(*)
			Asset	Liability	
Swap Transactions	Marketable securities issued	Cash flow risk due to the changes in the foreign exchange rates	-	51,547	(3,668)

^(*) 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
Total	885,425	4,271,199	558,306	3,277,948

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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 ^(*)	-	2,749,896	-	2,906,723
Total	756,723	4,173,339	469,277	3,212,187

^(*) 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	-	-	-	-
Total	9,290	16,151	33,793	12,678

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	-	-	-	-
Total	85,491	487,115	484,448	469,755

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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	-	-
Total	89,875	90,077	-	-

* 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 ^(*)	1,866,011	1,408,649
Share Certificates	4,370	4,376
Quoted on a Stock Exchange	-	-
Not Quoted ^(**)	4,370	4,376
Impairment Provision (-)	-	-
Other	-	-
Total	1,870,381	1,413,025

(*) 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	-
Total	16,335	24,475	15,473	33,432

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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
Cash Loans	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	-	-
Other Receivables	-	-	-	-	-	-
Total	22,060,733	45,307	1,054	767,219	331,675	5,474

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
Short-Term Loans and Other Receivables	6,265,839	-	116,835	-
Loans	6,265,839	-	116,835	-
Other Receivables	-	-	-	-
	-	-	-	-
Medium and Long-Term Loans and Other Receivables	15,793,840	1,054	644,910	5,474
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
Total	785,786	688,666

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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
Consumer Loans - TL	72,844	3,930,285	4,003,129
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
Consumer Loans - FC Indexed	-	9,652	9,652
Real Estate Loans	-	9,633	9,633
Auto Loans	-	-	-
General Purpose Consumer Loans	-	19	19
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	261,427	7,530	268,957
With Instalment	73,219	7,530	80,749
Without Instalment	188,208	-	188,208
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	953	7,382	8,335
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
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7,866	17	7,883
With Instalment	2,616	17	2,633
Without Instalment	5,250	-	5,250
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
Total	343,090	3,954,866	4,297,956

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5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	96,839	779,863	876,702
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
Commercial Loans with Instalment - FC Indexed	140	26,537	26,677
Business Loans	140	22,722	22,862
Auto Loans	-	156	156
General Purpose Consumer Loans	-	2,267	2,267
Other	-	1,392	1,392
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	73,122	2,125	75,247
With Instalment	13,401	2,125	15,526
Without Instalment	59,721	-	59,721
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	170,101	808,525	978,626

5.7. Loan Distribution According to Borrowers

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

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
Total	22,827,952	17,330,710

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
Total	368,847	323,821

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

^(*) 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
Current Period:			
Period Ending Balance	-	16	5,066
Specific Provisions (-)	-	(16)	(5,066)
Net Balance on Balance Sheet	-	-	-
Prior Period:	-	-	-
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
Current Period (Net)	99,042	72,499	56,929
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
Prior Period (Net)	18,188	42,464	56,599
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
Total	597,317	441,072

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 ^(*)	0-30 Days	31- 60 Days	61- 90 Days	Total
Loans and Receivables				
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
Total	46,254	28,381	13,728	88,363

^(*) Only past due loans are presented and the principals of unpaid loans.

Prior Period ^(*)	0-30 Days	31- 60 Days	61- 90 Days	Total
Loans and Receivables				
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
Total	29,015	25,958	12,716	67,689

^(*) 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 ^(*)	568,400	-
Impairment Provision (-)	-	-
Total	568,400	-

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
Total	1,589,067	1,340,259	968,255	841,649

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	-	-
Total	1,340,259	841,649

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
Cost				
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
Ending Balance	304,845	5,673	254,205	564,723
Accumulated Depreciation				
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
Ending Balance	(2,596)	(5,775)	(138,368)	(146,739)
Prior Period Net Book Value	112,862	-	98,827	211,689
Current Period Net Book Value	302,249	(102)	115,837	417,984

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

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

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).

	Current Period	
	Deferred Tax Base Amount	Deferred Tax Asset/(Liability)
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
Deferred Tax Asset (net)	-	32,456

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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
Deferred Tax Asset (net)	-	22,649

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
Deferred Tax Asset	32,456	22,649

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
I. Real Persons Current Accounts-TL	1,030,419	-	-	-	-	-	-	-	1,030,419
II. Real Persons Profit Sharing Accounts-TL	-	1,648,718	4,485,952	92,899	-	135,228	379,835	14	6,742,646
III. Other Current Accounts-TL	1,668,055	-	-	-	-	-	-	-	1,668,055
Public Sector	4,592	-	-	-	-	-	-	-	4,592
Commercial Sector	1,619,656	-	-	-	-	-	-	-	1,619,656
Other Institutions	37,208	-	-	-	-	-	-	-	37,208
Commercial and Other Institutionals	6,007	-	-	-	-	-	-	-	6,007
Banks and Finance Houses	592	-	-	-	-	-	-	-	592
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	562	-	-	-	-	-	-	-	562
Bank	29	-	-	-	-	-	-	-	29
Other	1	-	-	-	-	-	-	-	1
IV. Profit Sharing Accounts-TL	-	371,049	2,335,534	161,371	-	64,879	69,605	-	3,002,438
Public Sector	-	-	1,637	-	-	-	-	-	1,637
Commercial Sector	-	336,298	1,994,823	155,503	-	63,981	65,822	-	2,616,427
Other Institutions	-	34,650	225,675	5,868	-	898	3,783	-	270,874
Commercial and Other Institutionals	-	101	1,010	-	-	-	-	-	1,111
Banks	-	-	112,389	-	-	-	-	-	112,389
V. Real Persons Current Accounts-FC	585,616	-	-	-	-	-	-	-	585,616
VI. Real Persons Profit Sharing Accounts-FC	-	682,259	2,185,551	68,505	-	215,252	181,269	5	3,332,841
VII. Other Current Accounts-FC	734,998	-	-	-	-	-	-	-	734,998
Commercial Residents in Turkey	655,419	-	-	-	-	-	-	-	655,419
Commercial Residents in Abroad	72,718	-	-	-	-	-	-	-	72,718
Banks	6,861	-	-	-	-	-	-	-	6,861
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	1,163	-	-	-	-	-	-	-	1,163
Banks	5,698	-	-	-	-	-	-	-	5,698
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	324,679	979,926	38,484	-	53,253	120,630	-	1,516,972
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	247,740	744,658	21,424	-	21,936	39,843	-	1,075,601
Other Institutions	-	4,425	10,384	-	-	208	-	-	15,017
Commercial and Other Institutionals	-	4,488	27,985	17,060	-	31,109	80,787	-	161,429
Banks and Participation Banks	-	68,026	196,899	-	-	-	-	-	264,925
IX. Precious Metal Accounts	278,187	-	6,401	190,740	-	23,050	27	-	498,405
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	4,297,275	3,026,705	9,993,364	551,999	-	491,662	751,366	19	19,112,390

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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
I. Real Persons Current Accounts-TL	894,578	-	-	-	-	-	-	-	894,578
II. Real Persons Profit Sharing Accounts-TL	-	2,489,240	2,401,698	108,147	-	108,118	610,879	-	5,718,082
III. Other Current Accounts-TL	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	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TL	-	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
V. Real Persons Current Accounts-FC	373,888	-	-	-	-	-	-	-	373,888
VI. Real Persons Profit Sharing Accounts-FC	-	945,547	902,863	72,182	-	124,642	353,457	-	2,398,691
VII. Other Current Accounts-FC	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	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	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
IX. Precious Metal Accounts	404,567	-	7,212	239,325	-	7,902	-	-	659,006
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	3,440,369	4,148,792	5,361,752	641,863	-	354,350	1,194,554	-	15,141,680

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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
Real Persons Current and Profit Sharing Accounts that are not Subject to the Commercial Activities	5,917,598	5,172,050	6,183,337	4,794,572
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	-	-	-	-
Total	4,758	4,724	21,646	16,660

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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
Total	490,399	5,149,698	161,147	3,930,615

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
Total	490,399	5,149,698	161,147	3,930,615

4. Information on Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Rent Certificate	202,949	2,868,914	-	1,074,246
Total	202,949	2,868,914	-	1,074,246

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	-	-	-	-
Total	-	51,547	-	-

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 ^(*)	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

^(*) 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 ^(*)	28,942	27,606
Provision for Credit Cards Promotion Commitments	2,042	1,880
Total	75,799	89,739

^(*) 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
Total	68,942	37,039

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
Total	6,576	5,078

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	-	-	-	-
Total	7,431	3,939	(20,836)	(15,959)

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
Total	3,562,256	2,362,760

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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	-	-
Total	10,648,417	8,904,139

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
Total	9,230,089	7,726,279

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
Total	10,648,417	8,904,139

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	79,983	1.28	38,796	0.88	79,222	1.47	42,218	1.19
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
Manufacturing	1,059,920	16.93	2,062,700	47.00	1,056,233	19.69	1,752,349	49.54
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
Construction	2,399,012	38.33	869,400	19.81	2,084,663	38.85	582,435	16.46
Services	2,659,105	42.49	1,400,998	31.91	2,101,092	39.15	1,132,742	32.01
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
Other	60,660	0.97	17,843	0.40	44,973	0.84	28,212	0.80
Total	6,258,680	100.00	4,389,737	100.00	5,366,183	100.00	3,537,956	100.00

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

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-Cash Loans	6,143,917	4,364,012	114,763	25,725
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
Type of Trading Transactions		
Foreign Currency Related Derivative Transactions (I):	6,766,010	6,758,916
Forward Transactions	1,743,652	3,464,413
Swap Transactions	5,022,358	3,294,503
Futures Transactions	-	-
Option Transactions	-	-
Other Trading Derivative Transactions (II)	611,335	375,937
A. Total Trading Derivative Transactions (I+II)	7,377,345	7,134,853

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 ⁽¹⁾	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	-	-	-	-
Total	1,868,361	55,184	1,387,011	49,919

⁽¹⁾ 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	-	-	-	-
Total	529	320	135	302

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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	-	-	-
Total	120,764	16,222	58,108	8,460

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 ^(*)	15,201	133,118	6,455	102,449
Branches and Head Office Abroad	-	-	-	-
Other Institutions	972	650	-	265
Total	16,173	135,360	6,455	103,995

(*) 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
Total	9,961	101,857	-	26,743

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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		
Turkish Lira							
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
Total	185,040	374,544	14,324	14,262	40,650	-	628,820
Foreign Currency							
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
Total	33,456	69,497	5,187	6,885	9,737	-	124,762
Grand Total	218,496	444,041	19,511	21,147	50,387	-	753,582

3. Information on Dividend Income

None (31 December 2013: None).

4. Information on Trading Income/Losses (net)

	Current Period	Previous Period
Income	3,425,869	2,451,529
Trading Account Income	1,782	1,238
Derivative Financial Instruments	566,311	514,178
Foreign Exchange Gains	2,857,776	1,936,113
Losses (-)	(3,400,212)	(2,379,852)
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
Total	171,201	108,234

6. Provision Expenses Related To Loans and Other Receivables of the Group

	Current Period	Previous Period
Specific Provisions for Loans and Other Receivables	220,188	154,990
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
General Provision Expenses	49,651	13,349
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	-	-
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	-	-
Impairment Provision Expenses	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
Other (*)	29,623	34,411
Total	299,462	202,750

(*) 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
Total	720,802	567,003

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
	-	-
Income Tax Expense	91,107	83,235

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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
Total	139,516	94,584
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
Total	84,495	49,440

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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
Total Cash and Cash Equivalents	2,965,655	1,878,601

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
Loans and Others Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	106	33,432	202,554	100,277
Balance at the end of the period ^(*)	-	-	117	24,475	99,128	86,904
Profit Share and Commission Income	-	-	5,286	-	29,875	554

(*) 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
Loans and Others Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	116	74,318	85,459	89,573
Balance at the end of the period ^(*)	-	-	106	33,432	202,554	100,277
Profit Share and Commission Income	-	-	422	7	49,747	579

(*) 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
Current and Profit Sharing Accounts						
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
Profit Share Expenses ^(*)	-	-	8,166	12,397	3,451	5,296

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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
Financial Transactions at fair value through profit/loss	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	9,032
Balance at the end of the period	-	-	-	-	37,623	-
Total Profit/Loss	-	-	-	-	(66)	3
Derivative Instruments Held for Risk Management	-	-	-	-	-	-
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
Loans Received						
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	-	-
Profit Share and Commission Expense ^(*)	-	-	44,715	37,320	-	-

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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:

Foreign Currency	
Long Term	BBB
Short Term	F3
View	Stable
Turkish Lira	
Long Term	BBB+
Short Term	F2
View	Stable
National	
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.

Contact Details

	Address	Telephone	Fax
Headquarters			
Headquarters – Kartal	Hürriyet Mah. Adnan Kahveci Cad. No: 131 Yakacık 34876 Kartal/İSTANBUL	(+90 216) 586 70 00 (pbx)	(+90 216) 586 63 26
Headquarters Tophane - Ek Hizmet Binası	Kemeraltı Cad. No: 46 Tophane/İSTANBUL	(+90 212) 393 10 00	
Regional Headquarters			
İstanbul Anatolian Side Regional Headquarters	Kozyatağı Mah. Değirmen Sok. No: 18/B-D Kadıköy/İSTANBUL	(+90 216) 573 16 00	(+90 216) 573 16 09
İstanbul European Side Regional Headquarters - 1	Kemeraltı Cad. No: 46 Kat: 4 Tophane/Beyoğlu/İSTANBUL	(+90 212) 393 10 00	(+90 212) 393 11 80
İstanbul European Side Regional Headquarters - 2	Mahmut Bey Mah. 7. Yol Sok. 6. Ada No: 31/33/35/37 Bağcılar/İSTANBUL	(+90 212) 659 36 84	(+90 212) 659 23 72
Ankara Regional Headquarters	Atatürk Bulvarı No: 60 Kat: 2-3 Kızılay/ANKARA	(+90 312) 417 30 90	(+90 312) 417 30 75
Aegean Regional Headquarters	Halit Ziya Bulvarı No: 42 Kayhan İş Hanı Kat: 5 Konak/İZMİR	(+90 232) 483 55 66	(+90 232) 483 80 32
Marmara Regional Headquarters	Odunluk Mah. Akademi Cad. Zeno İş Merkezi B Blok No: 2 Nilüfer/BURSA	(+90 224) 453 00 15	(+90 224) 453 00 74
Kayseri Regional Headquarters	Bankalar Cad. No: 5/A Melikgazi/KAYSERİ	(+90 352) 221 15 66	(+90 352) 221 15 59
Mediterranean Regional Headquarters	Tepebağlar Mah. Abidin Paşa Cad. No: 7/A Seyhan/ADANA	(+90 322) 359 42 74	(+90 322) 359 01 88
Southeastern Anatolia Regional Headquarters	İncilipınar Mah. Prof. Muammer Aksoy Biv. No: 19/A Şehitkamil/GAZİANTEP	(+90 342) 215 20 42	(+90 342) 215 17 26
Black Sea Regional Headquarters	Kemerkaya Mah. Kahramanmaraş Cad. Ustaömeroğlu İş Merkezi No: 19 TRABZON	(+90 462) 321 15 03	(+90 462) 321 42 74

Branches

The whole list and contact details of Türkiye Finans Branches are available at;

<http://www.turkiyefinans.com.tr/tr/erisim/subelerimiz.aspx>

 facebook.com/turkiyefinans

 twitter.com/turkiyefinans

 linkedin.com/company/turkiye-finans-participation-bank

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