

TURKEY IS GROWING, VAKIFBANK IS SUPPORTING



ANNUAL REPORT

2014

 **VakıfBank**

TÜRKİYE VAKIFLAR BANKASI T.A.O.

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Turkey has ambitious growth targets.

Aiming to become one of the top 10 largest economies in the world by the 100th anniversary of the founding of the Republic, our country is currently undergoing a challenging process in all sectors, from aviation to industry, transportation to agriculture. As one of the biggest contributors to our country's aspirations and its successful growth story, VakıfBank will continue to support SMEs, farmers, craftsmen, businessmen and entrepreneurs, as always.

We are fully aware that if Turkey continues to grow, so do we.

Having provided corporate financing support to some of the biggest projects in the history of the Republic, such as the Third Airport and the Third Bridge in Istanbul as well as the Istanbul-Izmir Highway, VakıfBank continued to play a vital role in achieving our country's ambitious targets.

Targets are growing with VakıfBank's support



An aerial photograph of a coastal city and airport. The city is built on a peninsula with a sandy beach and turquoise water. A large airport with multiple runways is visible in the foreground. Two white callout boxes with rounded corners are positioned in the upper half of the image, containing text about project finance. The background is a dramatic sky with dark, heavy clouds.

7.4

US\$ BILLION

The amount of project finance loans for mega infrastructure and energy projects totaled US\$ 7.4 billion.

16

PROJECTS

The number of infrastructure and energy projects supported under the corporate finance model in 2014.

A close-up photograph of a man with a beard and glasses, wearing a red long-sleeved shirt and a black apron. He is smiling and looking towards the camera. He is holding a power tool, likely a grinder, which is creating a shower of bright orange sparks. The background is dark and out of focus, with some blurred lights.

VakıfBank also continued to support SMEs, the driving force of the economy, during 2014. As a result of outperforming the sector in terms of commercial loan, growth the share of the Bank's SME loan book continued to increase, rising to 26.5% of the overall loan book as of year-end 2014.

SMEs are growing with VakıfBank's support



71.5

TL BILLION

VakıfBank's
commercial loans
were up
27.65% YoY in 2014,
climbing to TL 71.5
billion.

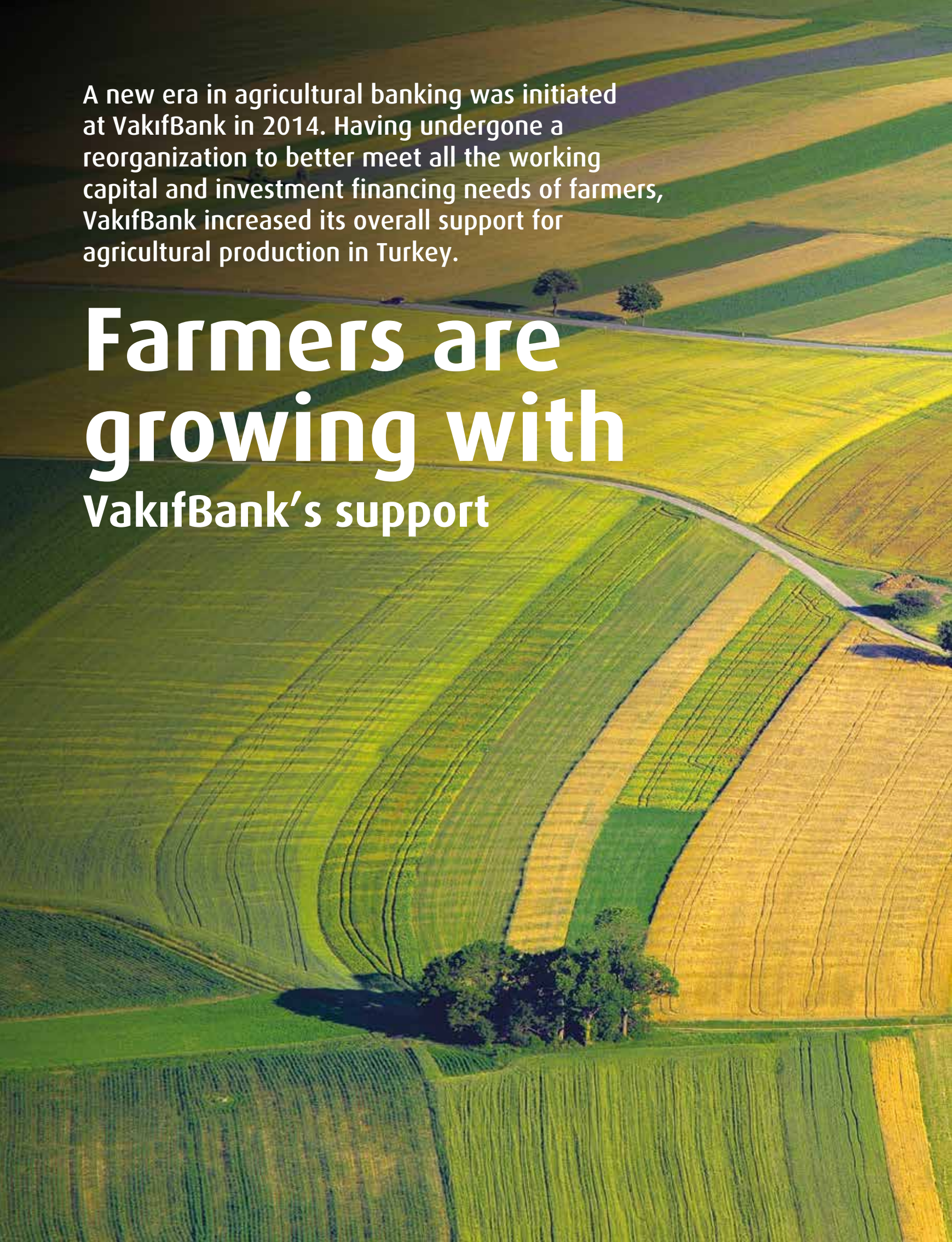
330,928

SMEs

The numbers of
SME customers
were up 59.43%
YoY in 2014,
jumping to 330,928.

A new era in agricultural banking was initiated at VakıfBank in 2014. Having undergone a reorganization to better meet all the working capital and investment financing needs of farmers, VakıfBank increased its overall support for agricultural production in Turkey.

Farmers are growing with VakıfBank's support





We have developed special loan products with flexible repayment schedules, and enhanced with customized solutions, for farmers and producers.

Taking into account crop cycles and harvest periods, we provided loans tailored to the cash flow needs of our farmer customers from all of our branches.

AGENDA OF THE 61ST ORDINARY GENERAL ASSEMBLY MEETING

THE AGENDA OF THE 61ST ORDINARY GENERAL ASSEMBLY MEETING OF TÜRKİYE VAKIFLAR BANKASI T.A.O.

1. Opening and the formation of presidency council,
2. Reading and discussion of the 2014 Board of Directors' Annual Activity Report, Turkish Court of Accounts Report and Audit Board Report,
3. Reading, discussion and approval of Auditors' Report and 2014 financial report,
4. Release of the Board members and Auditors regarding the 2014 activities,
5. Determination of profit usage and the amount of profit to be distributed according to the Board of Directors' proposal,
6. Voting of the amendment on Article 7 of the Articles of Incorporation related to the capital ceiling,
7. The renewal of the elections for the Board of Directors,
8. The renewal of the elections for the Audit Board,
9. Determination on the remuneration of the members of the Board of Directors and the Audit Board,
10. Authorization of the Board Members to conduct business with the Bank in accordance with Articles 395 and 396 of the Turkish Commercial Code, which will be further subject to Board of Directors approval,
11. Election of the Auditor in accordance with the Turkish Commercial Code and Capital Markets legislation,
12. Voting of Donation and Aid Policy of the Bank, prepared in accordance with the Corporate Governance Principles of the Capital Markets Board,
13. Informing shareholders about the donations made during the year,
14. Voting of Profit Distribution Policy of the Bank, prepared in accordance with the Corporate Governance Principles of the Capital Markets Board,
15. Suggestions and comments,
16. Closing remarks.

2014 PROFIT DISTRIBUTION PROPOSAL AND DIVIDEND POLICY

VakifBank Board of Directors made the following decision on March 02, 2015:

To submit the following actions for the approval of the General Assembly of Shareholders:

A decision was made: (i) to transfer the TL 141,115,550.46 deferred tax asset net revenue (due to the fact that this amount is not subject to profit distribution) out of the TL 1,753,273,280.50 2014 net profit, to the other profit reserves, and (ii) to distribute the remaining amount of TL 1,612,157,730.04 as specified in the profit distribution table (given in the Annex) that was prepared as per the 9th Article of the VakifBank Law and the 84th Article of VakifBank Articles of Incorporation.

Moreover, as per the Article 9/D of VakifBank Law and the Article 84/C of our Articles of Incorporation, a decision was made: (i) to transfer the TL 129,796,548.18 employee dividends (written off as an expense in 2014 after setting aside the necessary reserves) to the relevant account in order to distribute the stated amount to the employees, and (ii) to pay the amount set aside as dividends – that will be limited to gross three month salary – to all employees on the date that will be determined by our Board of Directors.

To transfer TL 314,828,980.97 which is 75% of the TL 236,121,735.73 in proceeds received from the sale of subsidiaries and real estate properties disposed of during 2014, to be tracked in a special liability-side reserve account pursuant to Article 5/1-e of Corporate Tax Law No. 5520.

2014 PROFIT DISTRIBUTION TABLE (TL)

Net Profit	1,753,273,280.50
Deferred Tax Assets (-)	141,115,550.46
Distributable Net Profit	1,612,157,730.04
I- Legal Reserves	161,215,773.00
1. First Legal Reserve (T.C.C. 466/1)	80,607,886.50
2. Legal Reserves set aside as per the Bank's Act and Articles of Incorporation	-
II- Profit Distributable to Shareholders	1,450,941,957.04
III- Special Reserves	236,121,735.73
IV- Extraordinary Reserves (Bank's Charter 9/E)	1,114,820,221.31
V- Dividends to be Paid to Shareholders	100,000,000.00

COMPLIANCE OPINION ON THE ANNUAL REPORT

TO THE BOARD OF DIRECTORS OF TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI:

We have assessed, whether or not the financial data stated in the Türkiye Vakıflar Bankası T.A.Ş. ("Bank") Annual Report issued on the date of December 31, 2014 is accurate and complies with the independent audit reports issued as of the end of the related accounting period. The annual report assessed in this audit report is the Bank management's responsibility. Our responsibility as an independent audit company is to state our opinions on the annual report that is audited regarding the conformity of the financial data specified in the Annual Report with the Bank's non-consolidated financial statements assessed in the independent audit report that is issued on the date of February 16, 2015.

The assessment was made in conformity: with the procedures and principles that entered into force as per the Banking Law n.5411 regarding the preparation and issuing of the annual report; with the Independent Audit Standards that are part of the Turkish Audit Standards published by the Public Oversight Accounting and Auditing Standards Authority ("KGK"); with the regulations regarding the 397th Article of the Turkish Commercial Code n.6102. These regulations stipulate that the audit shall be planned and carried out for the purpose of providing a reasonable assurance on the issue of whether there is a significant misstatement in the Annual Report or not. We believe that the audit presents a sufficient and reasonable basis to allow us to formulate an opinion.

In our opinion, the consolidated financial statements in the accompanying Annual Report present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its subsidiaries as of December 31, 2014 in accordance with the principles and standards described in Article 40 of Turkish Banking Law No. 5411, and include the Summary Report of the Board of Directors and the independent audit opinion presented to us; all of which are in compliance with the information presented in the independently audited financial statements and explanatory notes.

Other Liabilities Arising From the Legislation

As per the 3rd paragraph of the 402nd Article of the Turkish Commercial Code, we did not encounter any significant issues that must be reported about Türkiye Vakıflar Bankası T.A.Ş.'s potential inability to continue its activities in the foreseeable future within the framework of BDS 570 "Business Continuity".



Zeynep Uras, SMMM
Responsible Partner, Chief Auditor

Istanbul, February 2015

DECLARATION OF RESPONSIBILITY

We have examined the Bank's "2014 Annual Report" and we acknowledge and state that:

Based on the information we possess pursuant to our duties and responsibilities within the Bank, the report does not contain any misstatements in material aspects or omissions that may be construed as misleading;

As of the period the report is prepared for, financial statements and other information on financial matters contained in the report honestly and realistically reflect the financial position of the Bank as well as all major risks and uncertainties it is exposed to.



RAMAZAN GÜNDÜZ

Chairman



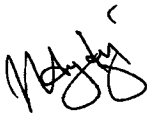
MEHMET EMİN ÖZCAN

Audit Committee



SABAHATTİN BİRDAL

Audit Committee



HALİL AYDOĞAN

General Manager



METİN RECEP ZAFER

CFO



MUSTAFA SEÇKİN ONÜR

Strategy Development

VAKIFBANK IN BRIEF

Date of Incorporation	: April 13, 1954
Head Office	: Istanbul
Paid-in Capital	: TL 2,500,000,000
Number of Employees	: 14,920
Number of Domestic Branches	: 890 (807 branches, 83 satellite branches)
Number of Overseas Branches	: 3 (New York, Bahrain and Arbil branches)
Number of Regional Directorates	: 23
Number of Subsidiaries and Affiliates	: 23
Independent Audit Company	: Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address	: Türkiye Vakıflar Bankası T.A.O. Head Office Sanayi Mahallesi, Eski Büyükdere Caddesi, Güler Sokak, No: 51 Kağıthane/Istanbul
Telephone	(90 212) 398 15 15 - (90 212) 398 10 00
Fax	(90 212) 398 11 55
Website	http://www.vakifbank.com.tr

VAKIFBANK'S CORNERSTONES

VAKIFBANK'S MISSION

Continuously increasing the value created for customers, employees, shareholders and society by utilizing its assets productively. Managing the values it has been entrusted with effectively and efficiently on the strength of its foundation ("Vakıf" in Turkish) culture.

VAKIFBANK'S VISION

Becoming the best, most preferred, and highest value-creating bank in the region.

VAKIFBANK'S CORE VALUES

- Reliability
- Social responsibility
- Results orientation
- Customer focus
- Innovative approach
- Teamwork
- Loyalty
- Leadership

HISTORY AND OWNERSHIP STRUCTURE

Representing a well-established tradition with longstanding experience and know-how in the Turkish banking system, VakıfBank has not only succeeded in becoming one of the most profitable banks in the sector, it has also helped the Turkish economy to grow, develop and integrate with the global economy.

14,920

EMPLOYEES

VakıfBank, which operates through a robust and extensive distribution network, has 14,920 employees.

THE BANK'S HISTORICAL DEVELOPMENT AND HIGHLIGHTS FROM THE REPORTING PERIOD

VakıfBank was incorporated under a special charter act; Law No. 6219 dated January 11, 1954, and commenced operations on April 13, 1954, with an initial capital of TL 50 million. The Bank's founding mission was to manage and use the assets of foundations in the most efficient manner, to contribute to Turkey's savings rate based on modern banking principles, and to channel the deposits collected toward the country's economic development. Since its founding, the Bank has been subject to special legal provisions and has contributed significantly to the growth and development of the Turkish economy.

Representing a well-established tradition with longstanding experience and know-how in the Turkish banking system, VakıfBank has not only succeeded in becoming one of the most profitable banks in the sector, it has also helped the Turkish economy to grow, develop and integrate with the global economy. The Bank also managed to execute a rapid and sustainable growth strategy, quickly caught up with large-scale banks, and strengthened its leading position in the sector.

RICH ARRAY OF FINANCIAL PRODUCTS

Today, VakıfBank provides a complete range of modern banking products and services via its corporate, commercial and SME banking, as well as its retail and private banking business lines. In addition to core banking products and services, VakıfBank is also active in investment banking and capital markets; the Bank provides a wide range of financial services including insurance, financial leasing and factoring through its financial subsidiaries, using advanced technological platforms and applications.

A ROBUST AND WIDESPREAD DISTRIBUTION NETWORK

As of year-end 2014, VakıfBank conducted its operations through a robust and widespread distribution network of 893 branches (890 domestic and 3 overseas) and a workforce of 14,920 employees. One of the most important milestones in VakıfBank's development was its initial public offering. The Bank was taken public by selling the new shares issued via a capital increase; these shares were sold to domestic and international investors.

The public offering raised more than US\$ 1.2 billion in fresh capital for the Bank and the Turkish economy.

COMPREHENSIVE DEVELOPMENT AND IMPROVEMENT PROCESS

With the Change and Restructuring Program implemented in 2005, VakıfBank underwent a comprehensive transformation and development process. After conducting a comprehensive review of its business, VakıfBank centralized almost all of its operational procedures, which helped to increase the service quality at branch level by enabling branch employees to focus on sales and marketing.

VakıfBank's renewed corporate identity in 2008 reflected the great success of the Bank's radical transformation. A customer-oriented banking philosophy was expressed in the slogan "This is your place", which accompanied the Bank's promotional campaigns starting in 2009.

Representing a well-established tradition in the Turkish banking system, VakıfBank is one of the most profitable banks in the country.

RELOCATION OF THE HEAD OFFICE TO TURKEY'S FINANCIAL HUB

The relocation of VakıfBank's Head Office to Istanbul was one of the most significant steps taken by the Bank in 2011.

Subsequent to finalizing the legal arrangements, the Bank moved to Istanbul, Turkey's finance hub, pursuant to a resolution of its General Assembly of Shareholders. The relocation of its Head Office was one of the most important steps the Bank has taken to support its long-term growth strategies.

In order to further differentiate VakıfBank within the sector, gain a competitive edge, and adapt to changing market conditions, the Bank implemented VIT, the VakıfBank Innovative Transformation. This initiative encompasses the transformation of the Company's main banking applications as well as the entire banking IT infrastructure.

THE MOST ACTIVE TURKISH BANK IN INTERNATIONAL MARKETS

One of Turkey's leading banks in international banking, VakıfBank continued to diversify its funding base during 2014 through Eurobond and private placement issues as part of the Global Medium-Term Notes Program as well as syndicated and securitization loans and other long-term, low-cost funding facilities.

TURKEY'S FIRST EURO-DENOMINATED EUROBOND ISSUANCE

As the first bank to establish the Global Medium Term Notes (GMTN) program in Turkey, VakıfBank also issued the first ever euro-denominated corporate Eurobond of Turkey in a five-year, € 500 million placement with a yield of 3.65% and coupon rate of 3.5% as part of the GMTN program. The issuance drew a record investor demand of € 5.3 billion. It is also a record in terms of the number of investors submitting bids: more than 450 institutional investors including Central Banks. Strong investor demand lowered the yield by 35 basis points to 3.65%, from the initial pricing yield of 4.00% with a 3.50% coupon rate.

OWNERSHIP STRUCTURE OF TÜRKİYE VAKIFLAR BANKASI T.A.O

Group	Shareholders	Capital (TL)	Share Capital (%)	Number of Shareholders
A	Registered Foundations Represented by the General Directorate of Foundations	1,075,058,639,562	43.002346	1
B	Appendant Foundations represented by the General Directorate of Foundations	386,224,784,722	15.448991	1
B	Other Foundations	3,096,741,964	0.123870	266
B	Other Registered Foundations	1,453,084,546	0.058123	198
C	VakıfBank Mem. ve Hizm. Em. ve Sağ. Yard. San. Vakfı	402,552,666,422	16.102107	1
C	Other Real Persons and Legal Entities	1,533,786,199	0.061351	428
D	Free Float	630,080,296,585	25.203212	-
	TOTAL	2,500,000,000.00	100.00	895

SHARES OWNED BY THE CHAIRMAN, BOARD MEMBERS, GENERAL MANAGER AND EXECUTIVE VICE PRESIDENTS:

İsmail Alptekin, a Member of the Bank's Board of Directors, holds VakıfBank "Class C" stock representing TL 59.36 of share capital. (0.00000237%).

DISCLOSURES MADE TO BORSA ISTANBUL WITHIN THE CONTEXT OF INFORMING SHAREHOLDERS:

Pursuant to CMB Communiqué (II-15.1): "Principles for Material Disclosures to Public", the Bank issued 248 material event disclosures in 2014. These disclosures were concurrently published on the ISE Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website (www.vakifbank.com.tr).

KEY FINANCIAL INDICATORS

+16.77%

The Bank's asset size increased by 16.77% YoY to TL 158.2 billion in 2014.

TOTAL ASSETS (TL MILLION)

2014	158,218
2013	135,496
2012	104,580
2011	89,184
2010	73,962

+20.63%

Cash loans rose to TL 104.3 billion, up 20.63% YoY.

CASH LOANS (TL MILLION)

2014	104,343
2013	86,496
2012	67,868
2011	57,201
2010	44,836

+6.85%

The Bank's securities portfolio grew by 6.85% and totaled TL 23.2 billion in 2014.

SECURITIES PORTFOLIO (TL MILLION)

2014	23,179
2013	21,692
2012	18,381
2011	19,111
2010	18,072

+27.65%

The Bank's commercial loans climbed to TL 71.5 billion, up 27.65% YoY in 2014.

COMMERCIAL LOANS (TL MILLION)

2014	71,493
2013	56,009
2012	43,607
2011	36,097
2010	29,947

+7.75%

The Bank's retail loans amounted to TL 32.9 billion in 2014, up 7.75% YoY.

RETAIL LOANS (TL MILLION)

2014	32,851
2013	30,488
2012	24,261
2011	21,104
2010	14,899

+12.54%

The Bank's deposits increased to TL 91.8 billion, up 12.54% YoY.

DEPOSITS (TL MILLION)

2014	91,757
2013	81,533
2012	67,242
2011	60,939
2010	47,701

+17.08%

The Bank's shareholders' equity rose to TL 14.8 billion, with an annual growth rate of 17.08% in 2014.

SHAREHOLDERS' EQUITY (TL MILLION)

2014	14,772
2013	12,616
2012	11,918
2011	9,298
2010	8,559

+10.58%

The Bank's net profit increased 10.58% YoY, totaling TL 1.8 billion in 2014.

NET PROFIT (TL MILLION)

2014	1,753
2013	1,586
2012	1,460
2011	1,227
2010	1,157

KEY RATIOS

+211 bps

VakıfBank's total loan-to-asset ratio was up by 211 bps YoY.

LOANS/TOTAL ASSETS (%)

2014	65.9
2013	63.8
2012	64.9
2011	64.1
2010	60.6

+763 bps

VakıfBank's total loan-to-deposit ratio was up by 763 bps YoY.

LOANS/DEPOSITS (%)

2014	113.7
2013	106.1
2012	100.9
2011	93.9
2010	94.0

-376 bps

VakıfBank's retail loan-to-total loans ratio was down by 376 bps YoY.

RETAIL LOANS/TOTAL LOANS (%)

2014	31.5
2013	35.2
2012	35.7
2011	36.9
2010	33.2

The ratio of the Bank's equity to total liabilities was 9.3% in 2014.

SHAREHOLDERS' EQUITY/TOTAL LIABILITIES (%)

2014	9.3
2013	9.3
2012	11.4
2011	10.4
2010	11.6

+784

VakıfBank increased the amount of deposits per branch to TL 102.8 million in 2014.

DEPOSITS PER BRANCH (TL MILLION)

2014	102.8
2013	94.9
2012	90.4
2011	89.6
2010	75.0

+1,615

VakıfBank increased the amount of loans per branch to TL 116.8 million in 2014.

LOANS PER BRANCH (TL MILLION)

2014	116.8
2013	100.7
2012	91.2
2011	84.1
2010	70.5

+69

VakıfBank increased the amount of deposits per employee to TL 6.1 billion in 2014.

DEPOSITS PER EMPLOYEE (TL MILLION)

2014	6.1
2013	5.5
2012	5.0
2011	5.0
2010	4.3

+121

VakıfBank increased the amount of loans per employee to TL 7.0 million in 2014.

LOANS PER EMPLOYEE (TL MILLION)

2014	7.0
2013	5.8
2012	5.0
2011	4.7
2010	4.0

MESSAGE FROM THE CHAIRMAN

VakıfBank will
continue **to pursue
its growth-focused
strategies** and
increase its
market share in
the coming year.



DEAR SHAREHOLDERS,

Overall, the global economy exhibited a lackluster growth performance in 2014. Geopolitical risks, Fed policies, US and EU sanctions on Russia, Japan's failure to exit the recession, and slowdown signals from the Chinese economy were the primary causes of this poor performance.

The US economy recorded its highest growth rate since 3Q 2003, growing by 5% on a quarterly basis in 3Q 2014. In line with the decisions made in 2013, the Fed tapered off its asset purchase program in October 2014. Furthermore, the Fed left the policy rate unchanged at its policy meeting held on December 16-17, 2014, and emphasized that it will act in a "patient" manner during the normalization of monetary policy in accordance with the economic data.

2014 was a challenging year for the Eurozone, which continues to grapple with multiple problems including recession, deflation risk, and unemployment. In addition to these macroeconomic problems, the geopolitical crisis between Russia and Ukraine, as well as economic sanctions imposed subsequently on Russia, had negative repercussions for the Eurozone. Consequently, the ECB was forced to continue its expansionary monetary policy over the course of this period. The ECB conducted Targeted Longer-Term Refinancing Operations (TLTRO) to support economic activity in response to a non-accelerating inflation rate, high unemployment, the drop in oil and energy prices, and generally low growth rates. Furthermore, the ECB cut policy interest rates on September 2014 to a record low of 0.05% while lowering deposit interest rates to -0.2%. These steps were not strong enough to increase domestic consumption, as the risk of deflation continued to linger.

The Bank of Japan (BOJ) also maintained its expansionary monetary policy in 2014. Contrary to positive growth expectations, the economy contracted 1.7% in Q2 and 0.5% in Q3, technically falling into a recession after two consecutive quarters of negative growth. However, the latest growth data for Q4 indicated that the Japanese economy is out of this recession. Weak export performance and a hike in sales tax in April, which negatively affected domestic consumption, were the main reasons of the slowdown in the Japanese economy.

Another key influence on the performance of the global economy is China, which unexpectedly cut interest rates on November 21 as a precaution against slowing economic activity in the country. This move supported the view that concerns about the Chinese economy have persisted throughout the year. China recorded its lowest growth rate since 1Q 2009 with 7.3% growth in 3Q 2014. I believe this poses a downside risk for the global economic growth outlook.

Despite unfavorable economic conditions abroad, the Turkish economy registered a growth rate of 2.8% over the first three quarters of 2014. The largest contribution to this growth came from exports. To counter the impacts of the crisis in the Eurozone, measures were taken to eliminate downward

pressure on exports while adopting the strategy of diversifying foreign trade partners. This policy continued to have favorable effects on the country's current account balance. Expansion of export channels also lowered the foreign trade deficit substantially. As a result, the current account deficit shrunk steadily over the course of the year.

During this period, total assets of the Turkish banking industry reached TL 1,994 billion. The share of deposits in total liabilities continued to decline in 2014 and stood at 52.8% as of year-end. Non-deposit funds have gradually begun to play a more important role in reducing the cost of funds and in extending the average maturity of liabilities. This trend is expected to continue in the upcoming period. The sector will not encounter any difficulties in accessing foreign funds.

In line with these developments in the sector, VakıfBank expanded its total assets by 16.77% YoY to TL 158.2 billion, and continued to make substantial contributions to the Turkish economy. In the same period, the Bank's retail loans were up by 7.75% annually to TL 32.9 billion, while its commercial loans surged 27.65% to TL 71.5 billion.

Our deposits fund 57.99% of our assets, and we have maintained this strong level thanks to our effective strategies for increasing deposits and our extensive branch network. Total deposits increased 12.54% YoY and reached TL 91.8 billion. VakıfBank, which boasts a unique combination of a rapidly expanding branch network, superior service quality, and high customer satisfaction in the face of a fiercely competitive landscape, will continue to broaden its deposit base and pursue cost-oriented resource management policies in 2015.

Our NPL ratio continued to improve throughout the year without any asset sales or write-offs, thanks to the highest collection performance in our corporate history and the low level new bad loan originations. This differentiated VakıfBank in the sector in terms of asset quality.

Thanks to our strong performance in 2014, the Bank managed to increase its net profit by 10.58% YoY to TL 1,753 million. With the confidence stemming from the Bank's many unique accomplishments, we believe that VakıfBank will sustain its success in the upcoming period thanks to the corporate culture present in its roots since its founding, the dedication of its hard working employees, and the trust of its customers.

On behalf of the Bank, I would like to thank our customers, employees, shareholders, investors and all other stakeholders for their contribution to our achievements during 2014.

Yours sincerely,



Ramazan Gündüz
Chairman

4.2%

MARKET SHARE

VakıfBank's market share in credit cards reached 4.2% as of year-end 2014.

MESSAGE FROM THE GENERAL MANAGER

VakıfBank further
**strengthened its
position in 2014
as we continued
to work for the
future of Turkey.**



DEAR SHAREHOLDERS,

The problems that resulted from the global financial crisis in 2008 continue to have a considerable impact on the economies of developed countries. Ongoing expansionary monetary policies by the ECB and the Bank of Japan (BOJ) in the face of deflation and recession risks, the Fed's decision to taper off asset purchases, and the precipitous drop in oil prices that has negative impacts particularly on major oil exporting countries such as Russia are the main highlights in a brief synopsis of the global economic outlook in 2014.

Despite these developments, the reliable and stable environment established in Turkey over the past decade allowed it to escape largely unscathed from the macroeconomic challenges created by the 2008 global financial crisis. Problems such as unemployment and recession, which became globally pervasive after 2008, did not take root in Turkey. In contrast with the lackluster economic performance in the developed markets the, Turkish economy grew by 2.8% in the first nine months of the year as a result of export activities. I believe that, with the support of domestic demand and lower costs resulting from falling oil prices, the Turkish economy will grow by around 4% in 2015 even if the Federal Reserve starts hiking interest rates, which is the most likely scenario according to many experts. I also believe that the improvements in the foreign trade deficit and the current account deficit will be sustained by increasing exports over the course of 2015.

On the strength of its proud history, VakıfBank continued to support Turkey's growth and development. The Bank increased its total assets by 16.77% to TL 158.2 billion in 2014. Growth in loans played an important role in this growth. The Bank's total loan portfolio, which amounted to TL 86.5 billion in 2013, climbed to TL 104.3 billion in 2014, representing an increase of 20.63%. In summary, we channeled TL 104.3 billion, TL 71.5 billion in commercial loans and TL 32.8 billion in retail loans, to the Turkish economy.

Having met the financial needs of our commercial customers for projects and investments, the Bank provided financing support to some of the largest projects in the history of the Republic, such as the Third Airport and the Third Bridge in Istanbul as well as the Istanbul-Izmir Highway. With funds obtained from the EIB and the World Bank, we supported the real sector through investments and working capital and generated various solutions to meet the needs of our commercial customers. As part of an agreement signed with the European Investment Bank (EIB), we also contributed to local development by providing funds for the investment expenditures of municipalities and their affiliate enterprises. As a result, the Bank recorded a 35% increase in the volume of project loans provided to our commercial customers.

As a compassionate bank, we are proud to be able to provide easier access to financial products for customers that qualify as SMEs through the expansion of the range of our products and services in the SME Banking segment in 2014. In a sector in which customer demands are rapidly diversifying; we have developed tailored solutions after carefully analyzing the needs of SMEs. In line with this approach, in 2014 we received the first tranche allocation of US\$ 15 million as part of the US\$ 67 million SME Energy Efficiency Project that was established in partnership with the World Bank. We are also securing low-cost facilities from international organizations for the financing of energy projects.

Our awareness of the importance of sustainability drives our activities in this area, as we aspire to contribute to preventing greenhouse gas emissions, lowering energy costs, and reducing fossil fuel consumption by SMEs. VakıfBank became one of the leading banks in sustainable energy funding also through the provision of the TurSEFF-II loan in 2014, an instrument funded by the European Bank for Reconstruction and Development (ERBD) and supported by a co-financing mechanism provided by the EIB.

32.8

TL BILLION

Our retail loans
increased 7.75%, to TL
32.8 billion in 2014.

MESSAGE FROM THE GENERAL MANAGER

10.58%

Thanks to policies focused on increasing the quality of our assets, the Bank has increased its profits by 10.58%, to TL 1.75 billion.

During this period, we have successfully expanded not only our total assets but also our funding base. VakıfBank's total deposit portfolio, which stood at TL 81.5 billion in 2013, increased by 12.54% to TL 91.8 billion in 2014. We aim to sustain the steady upward trend in deposits in 2015 while further broadening our deposit base. In addition, the continued expansion of our branch network, as well as our high quality services and focus on customer satisfaction, will help support our sustained growth over the course of the upcoming period.

Our efforts to diversify our funding base and to increase the average maturity of liabilities have continued. As one of the leading Turkish financial institutions in international banking, VakıfBank was the most active Turkish bank in international markets in 2014. Our Eurobond and private placement bond issues as part of the Global Medium-Term Notes Program, along with syndication loans, securitization loans, and other long-term and low-cost facilities from a variety of sources, comprised our activities in the international banking arena. VakıfBank was the first bank to be involved in Turkey's euro-denominated Eurobond issuance. The transaction drew a record demand of € 5.3 billion and attracted more than 450 institutional investors including various central banks.

In line with our strategy of expanding our balance sheet, we have always strived to work more closely with our customers across all channels. To this end, we opened 34 new branches in 2014. In addition, we continued to modernize the ATM network to provide better service for our customers and increased the number of ATMs by 9.59% YoY, reaching a total of 3,199 as of year-end 2014.

We use traditional channels as well as emerging technological developments to provide better and faster service for our customers. The Mobile Banking application launched in 2014, designed for our retail customers, has provided customer with access to a variety of services for mobile phones and tablets.

In addition, we made significant progress on the finalization of our VakıfBank Innovative Transformation project (VIT), an effort we put considerable energy and made extensive investments in. Customers will be receiving better and faster service while the number of customers will increase across all segments upon the completion of this project.

While continuing to expand our balance sheet, we also had a conservative stance regarding our NPL portfolio. Our NPL ratio continued to improve as a result of better collections, better monitoring of loans, and a lower level of bad loan initiations. Bucking the trend in the industry, our profitability ratios improved despite an increase in NPL coverage ratio. We will sustain this successful performance in 2015.

Continuing to increase the Bank's funding base in a healthy way in 2014, our deposits reached TL 91.8 billion. Furthermore, we continued our efforts to further diversify our sources of funding and increase their maturities.

VakıfBank Women's Volleyball Team, whom we have been proudly supporting for 28 years, entered the Guinness Book of Records in 2014, winning 73 consecutive official matches between May 11, 2012 and January 25, 2014. The record was entitled "Most Consecutive Volleyball Victories in All Competitions," and includes successful displays in championships across five different tournaments: the Turkish League, Turkish Cup, Turkish Super Cup, European Champions League, and the FIVB Club World Championship. The team did not lose a single game and consequently went on to win all the available titles in a season.

Our belief that "sustainable development is only possible in a sustainable environment" has encouraged us to provide eco-friendly loans and contributions to educational, sports, environmental, and financial groups. Our Bank was the only public institution among the 15 companies in the BIST Sustainability Index, which assesses companies' performance in finance, the environment, social responsibility and corporate governance. The index is an important tool for investors, allowing them to easily identify and choose companies which are sustainable and progressive.

We made permanent and positive contributions to our country's economy in 2014 by providing services in accordance with the needs of our communities and customers.

During a year where the profitability of the sector remained unchanged, we increased our own profitability by 10.58%, announcing net profit TL 1,753 million as a result of policies focused on improving asset quality and return on assets.

Continuing to grow with a focus on creating high quality assets, VakıfBank has stood out with its initiatives targeting asset growth and proved its success by moving from seventh to sixth position in the sector. We believe that 2015 will be a more successful year for our Bank, and I would like to take this opportunity to thank each and every one of our employees who contributed to our success, our customers who have always trusted in our bank, and our Board of Directors which has always been ready to support us.

Sincerely yours,



Halil Aydoğan
General Manager

893

(NUMBER OF BRANCHES)

VakıfBank continued to serve with a total of 893 branches, three overseas and 890 domestic branches.

THE WORLD AND TURKEY IN 2014

When labor markets across the globe are examined, the unemployment problem in the Eurozone, which has been mired in recession for a long time, continues to stand out. In 2014, the central banks of moderately performing world economies maintained their accommodative monetary policies.

3.3%

The global economy recorded 3.3% growth in 2014.

GLOBAL ECONOMY

THE GLOBAL ECONOMY CONTINUES TO EXHIBIT SIGNS OF MODERATE RECOVERY

The global economy grew by 3.3% in 2013 and it is expected to have grown at a similar pace in 2014, according to the latest World Economic Outlook report by the IMF. Higher global growth is predicted for 2015. The GDP growth rate for the third quarter in the US was revised to 5%, higher than the 3.9% figure announced initially. The US economy's 3Q 2014 growth rate represents the highest pace of growth it has attained since 3Q 2003. The US economy expanded by another 2.6% in 4Q 2014. The 0.9% growth in the Eurozone in 4Q 2014 was slightly higher than expected. However, contrary to positive growth expectations, the Japanese economy fell into recession following two consecutive quarters of negative growth, with a contraction of 1.9% in 3Q 2014. While Japan recorded a growth rate of 2.2% in 4Q 2014, this was well below the expectations for 3.7% growth. The concerns regarding the sustainability of the recovery remain. The Chinese economy closed 2014 with 7.3% growth. Although the data for the last quarter was slightly better than expected, the Chinese economy remains vulnerable and poses a downward risk on global growth. The absence of an audit system in the Chinese banking system poses a risk factor for the world's economies, and "shadow banking" transactions, or the activities of non-bank financial institutions which fund markets, have increased. These activities present a danger to the global economy, and China has the highest level of "shadow banking" among the leading developing markets in the world.

Expansionary monetary policies are still on track for the EU and Japan, while the Fed started to implement an exit strategy from its asset purchase program

The Federal Reserve in the US began to follow an exit strategy in 2014, while the European and Japanese economies continued to pursue expansionary monetary policies. In the wake of the global financial crisis, expansionary monetary policies were undertaken in

developed countries such as the US, the EU, and Japan to aid the recovery of these economies. Having launched its quantitative easing program (QE3) in September 2012, the Federal Reserve made the decision to gradually taper it in October 29, 2014. Before these developments, starting from the middle of the year, there were discussions about when the Federal Reserve would hike interest rates. Moderate growth in the US economy, in addition to a recovery on the employment front and a moderate rise in inflation, influenced the Fed's decision to terminate the quantitative easing policy. The Federal Reserve left all interest rates unchanged at its last meeting of 2014 held on December 16-17. During the press conference following the meeting, Fed Chairman Janet Yellen emphasized the "patient" wording in the Fed statement by stating that interest rates would not be raised in the next couple of meetings. However, it is widely expected that the Fed will start raising interest rates in 2Q 2015.

As Europe has been grappling with low inflation and high unemployment for a long time, the ECB resolved to maintain its expansionary monetary policy to support economic activity. Having cut interest rates to 0.25% at year-end 2013, the ECB further lowered the rate to 0.15% in June and to 0.05% in September. In addition, the ECB lowered its deposit rate to below zero at its meeting in June, declaring that it would drop to -0.10%, signaling the adoption of a negative deposit interest rate for the first time in its history. Low inflation rates in the Eurozone forced the ECB to implement Targeted Longer-Term Refinancing Operations (TLTRO), the second wave of Longer-Term Refinancing Operations (LTRO) which was implemented earlier in 2014. To provide more funding to banks and to revive the EU's economies, the ECB started an asset-backed security purchase for the first time on December 21. With the program set to continue for at least two years, the ECB is planning to pump an additional € 1 trillion into its financial system and increase its balance sheet size, which currently stands at € 2.1, up to its 2012 level. Furthermore, if the liquidity provided by the ECB falls short, it stated that government bonds may also be included in the scope of the asset purchase program.

Japan is also continuing to pursue expansionary policies to stimulate its economy. The Bank of Japan (BoJ) declared that it would continue its expansionary monetary policy until the inflation rate reaches 2%. An increase in the consumption tax in April negatively affected economic activity. As the economy was already facing recession risk, increasing taxes from 5% to 8% to shrink its budget deficit played a major role in causing the economy to contract for two consecutive quarters. As a result, the second phase of the tax increase world's has been postponed.

THE WORLD'S ECONOMIES HAVE CONTINUED TO GRAPPLE WITH DEFLATION

The economies of developing and developed countries have continued to grapple with deflation risk in 2014. In contrast with countries implementing expansionary monetary policies, the US economy, which had already begun to implement exit strategies in 2014, recorded

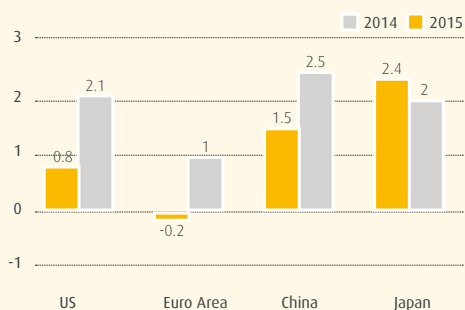
an inflation rate of 0.8% in 2014, falling below the 2% inflation rate targeted by the Federal Reserve. In the Eurozone, prices declined by 0.2% on an annual basis in 2014. While this situation raised concerns about deflation in the economy, it revealed that the ECB needed to introduce new measures as part of its expansionary monetary policy. Despite the ongoing expansionary policies in Japan, concerns about low inflation lingered in 2014. The IMF forecasts that inflation will rise in the US, Eurozone, and China in 2015 while declining moderately in Japan.

THE SHARP DROP IN OIL PRICES

Oil prices dropped dramatically during 2014. Exhibiting a downward trend since June, oil prices started to fall from US\$110 per barrel and ended the year at US\$ 53.7 per barrel. An increase in oil supply and a downward revision in oil demand forecasts in the coming years by international energy institutions caused this precipitous decline in oil prices. The decision of OPEC at its meeting on November 27 to leave the level of production unchanged accelerated the decline in oil prices. This had a positive effect on the economies of oil importing countries such as Turkey, while negatively affecting oil exporting countries such as Russia.

INFLATION (%)

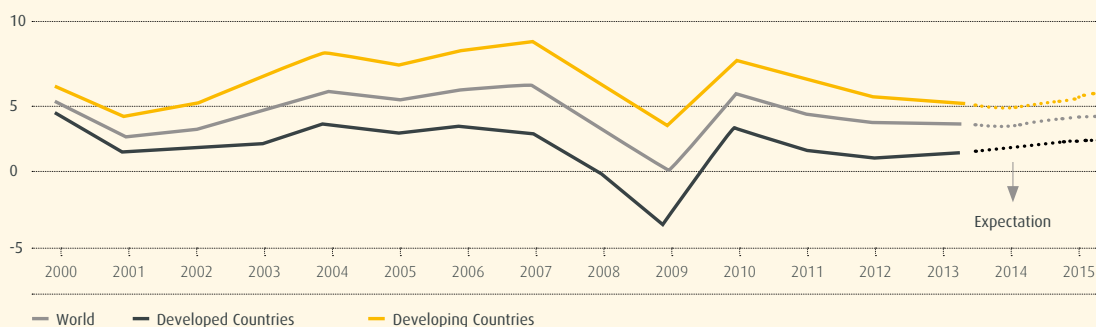
Source: IMF



*IMF Expectation

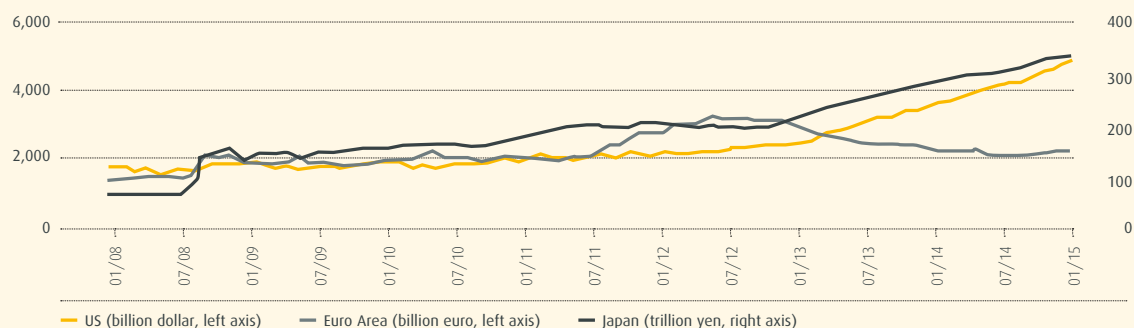
REAL ECONOMIC GROWTH (Y-Y, %)

Source: IMF



CENTRAL BANK BALANCE SHEET SIZE

Source: Bloomberg



THE WORLD AND TURKEY IN 2014

In the first nine months of 2014, GDP at current prices was up 11.9% compared to the same period a year earlier.

The loss of value in the Turkish lira positively affected exports while reducing imports.

TURKISH ECONOMY

TURKEY'S GDP GREW 1.7% IN 3Q 2014

Turkey's GDP grew 1.7% in constant prices in 3Q 2014 compared with the same quarter in 2013. In the first two quarters of the year, the Turkish economy expanded respectively at rates of 4.8% and 2.2% compared to the first two quarters of 2013. In the first nine months of 2014, the economy grew by 2.8%, recording a lower growth rate than the same period of 2013, which stood at 4.0%. In the first three quarters, GDP at current prices was up 11.9% on the same period of the previous year. GDP data showed a lower than expected performance in 3Q 2014. According to seasonally-adjusted data for GDP, the growth rate in the third quarter fell short of expectations despite the increase in the second quarter.

Having grown by 5.3% annually and contributing to GDP growth by 3.7 points in 2013, household consumption expenditures grew by 1.9% in the first three quarters of 2014 over the same period of the previous year, contributing the GDP growth by 1.3 points. Representing 72.4% of GDP in this period, household consumption expenditures accelerated in the third quarter, though still underperforming expectations. The largest contribution to growth in the first nine months of 2014 was from net exports, with 2.5 points. Although vulnerabilities in the Eurozone resurfaced in the middle of the year, the depreciation of the Turkish lira over the preceding year positively affected exports and became a determining factor in reducing imports.

Public consumption expenditures grew by 6.0% in the first three quarters of 2014 on the same period of the previous year, contributing to GDP growth by 0.6 points and constituting 10.7% of GDP. While public investment expenditures slowed by 0.7% in 2014 compared with 2013, private sector investments declined by 1.7%.

Investment expenditures subtracted 0.4 percentage points from total GDP growth. The slowdown in private sector investments in the first two quarters was over in the third quarter, indicating that dynamism in the private sector may have increased in the last quarter of 2014.

The services sector comprised 58.6% of GDP in the first nine months of 2014, up 3.3% on the same period of the previous year. Growth in the services sector in the first three quarters of 2014 was below the 4.1% growth recorded over the same period of the previous year. With the second biggest share in GDP standing at 24.3%, the manufacturing industry showed improved performance with a 3.5% growth rate compared with the same period of the previous year. One of the major developments in 2014 was the negative effect of drought on the agriculture sector. The sector's share in GDP was 8.9% in the first three quarters of 2014, which contracted by 3% and subtracted 0.3 percentage points from GDP growth.

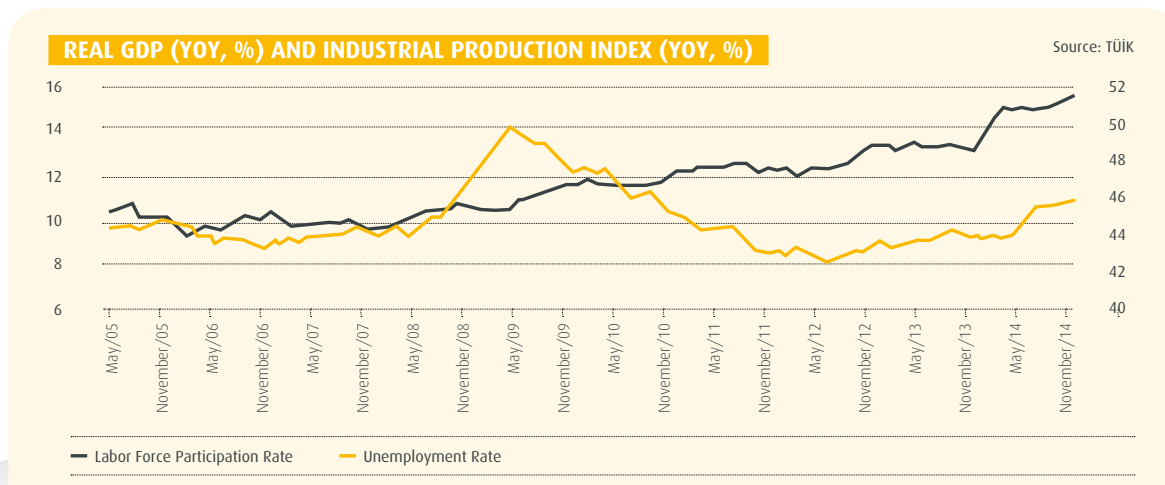
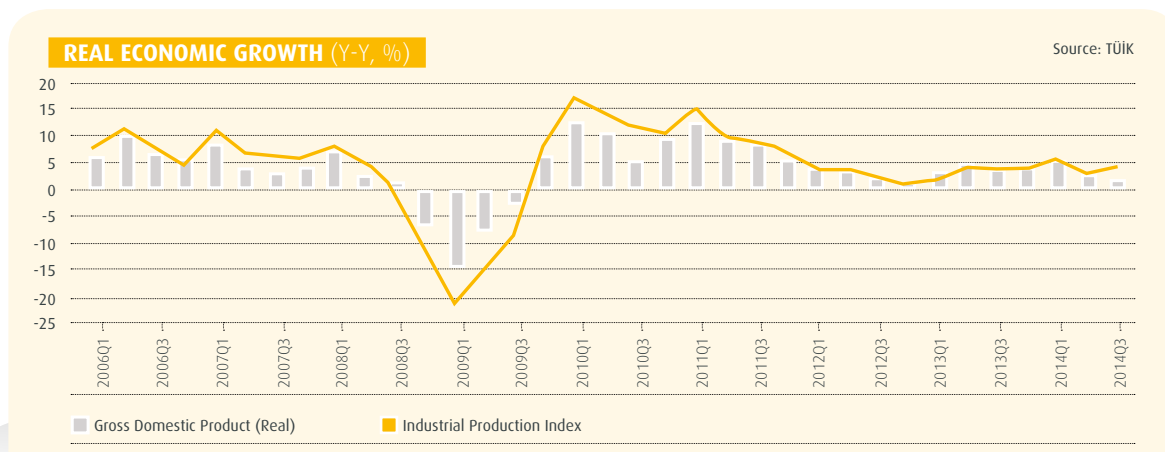
In general, real GDP growth data reveals that the increase in growth in the first quarter of 2014 compared to 2012 and 2013 gradually slowed down in the second and third quarters. The elections that were held in the early part of the year positively affected growth, but subsequently, tensions between Russia and Ukraine as well as geopolitical problems emerging from the Middle East negatively impacted investment spending and the stock market. Since the implementation of the restrictions imposed by the BRSB in February 2014 that aim to increase household savings by slowing down the growth of retail loans, there was a clear slowdown in consumption starting in the second quarter. The agricultural production level also decreased for the first time since 1Q 2009 due to the drought, which was the worst in 15 years. This should lead to high agricultural production growth in 2015 due to the drought-induced low base effect.

Overall, the economy is expected to have grown by 2.9% in 2014. With the additional support of domestic demand, real GDP growth is expected to be around 4.0% in 2015. Economic activity is expected to pick up because of the base effect from low oil prices that indirectly lowers all other cost items. Furthermore, structural reforms introduced in November and December of 2014 will potentially contribute positively to growth. The most important risk factor for the growth of the Turkish economy in 2015 is uncertainty regarding the impacts of potential interest rate hikes by the Federal Reserve on the global markets and economy.

UNEMPLOYMENT RATE STANDS AT 10.9% AS OF NOVEMBER 2014

The unemployment rate stands at 10.7% as of November 2014 excluding the seasonality effect, and at 10.9% on a seasonally-adjusted basis. According to the data series going back to 2005 published by TÜRKSTAT, the unemployment rate bottomed out in June 2012 and began rising in July 2012. The November 2014 unemployment rate was the highest since October 2010. The labor force participation rate, which reached its highest level since 2008 at 51%, contributed to the increase in the unemployment rate. Lack of meaningful recovery since 2013 and the new moderate growth environment are keeping the unemployment rate elevated. In November 2014, according to seasonality-unadjusted employment data, employment increased above the historical average in the agriculture, industry and service sectors while employment in the construction sector was below average.

A higher growth outlook in 2015 is expected to reduce unemployment over the course of the year. However, the ongoing impact of increased participation of women in the labor force might limit the potential decline in the unemployment rate during 2015.



THE WORLD AND TURKEY IN 2014

There was a significant recovery in the foreign trade deficit in 2014 due to both a decrease in imports and a rise in exports.

US\$
45.8
BILLION

The annual current account deficit declined to US\$ 45.8 billion in 2014.

THE FOREIGN TRADE DEFICIT REACHED US\$ 84.5 BILLION IN 2014

There was a considerable recovery in the trade deficit over the course of 2014, stemming from both a decrease in imports and an increase in exports. The decline in gold imports also played a significant role in decreasing imports in 2014. Despite the ongoing recession in the Eurozone, the positive impact of diversification of export markets played a vital role in increasing export volumes during 2014. In addition, weak domestic demand also contributed to the decline in the foreign trade deficit.

The positive effect of low oil prices on the foreign trade deficit is expected to be offset by the increase in non-oil related imports arising from the recovery in domestic consumption in 2015. As a result, the annual foreign trade deficit is forecast to come in at US\$79.8 billion in 2015.

INFLATION REMAINED HIGH IN 2014 DUE TO RISING FOOD PRICES

Inflation was relatively high in 2014 compared to recent years due in most part to rising food prices and the decline in the value of the Turkish lira. Lower commodity prices had a favorable impact on inflation in the last quarter. Food prices, which are the largest item in the price index basket, put upward pressure on inflation due to the drought problems. Unfavorable weather conditions also led to record increases in vegetable and fruit prices, up to historic levels. The increase in energy and gas prices in 2014 for the first time in two years was another factor in the rising trend in inflation. On the other hand, the Central Bank of Turkey's expected inflation rate of 8.9% in its latest report did not materialize; lower energy prices helped to keep the inflation rate at 8.17% for the full year.

The course of oil prices, foreign exchange rates, and food prices are expected to play a significant role in inflation in 2015. Declining inflation on an annual and monthly basis, drops in producer prices along with the contributions of the base effect, makes it a reasonable expectation that the downward trend in wholesale price inflation will resume in early 2015.

THE CURRENT ACCOUNT DEFICIT DECLINED TO US\$ 45.8 BILLION THANKS TO THE LOWER FOREIGN TRADE DEFICIT IN 2014

The current account deficit declined to US\$ 45.8 billion in 2014, down from the US\$ 65 billion and 7.9% of GDP level in 2013, driven mainly by the improvement in the foreign trade deficit. The drop in non-monetary gold imports contributed to the improvement in the current account deficit. The increase in the influx of foreign currency from tourism revenues also positively affected the current account deficit, while the Federal Reserve's decision to end the asset purchase program in October 2014 limited the increase in foreign capital inflows compared with the previous year. The drop in oil prices, already under way since June, accelerated after the OPEC meeting at the end of November, which is a positive influence for oil-importing developing countries such as Turkey. According to forecasts, lower oil prices in the upcoming period will have a favorable impact on the current account deficit. However, domestic demand, which is expected to pick up in 2015, will offset some of this gain. The current account deficit is forecast to materialize at US\$ 41 billion in 2015.

CENTRAL BANK OF TURKEY MAINTAINED ITS TIGHT MONETARY POLICY

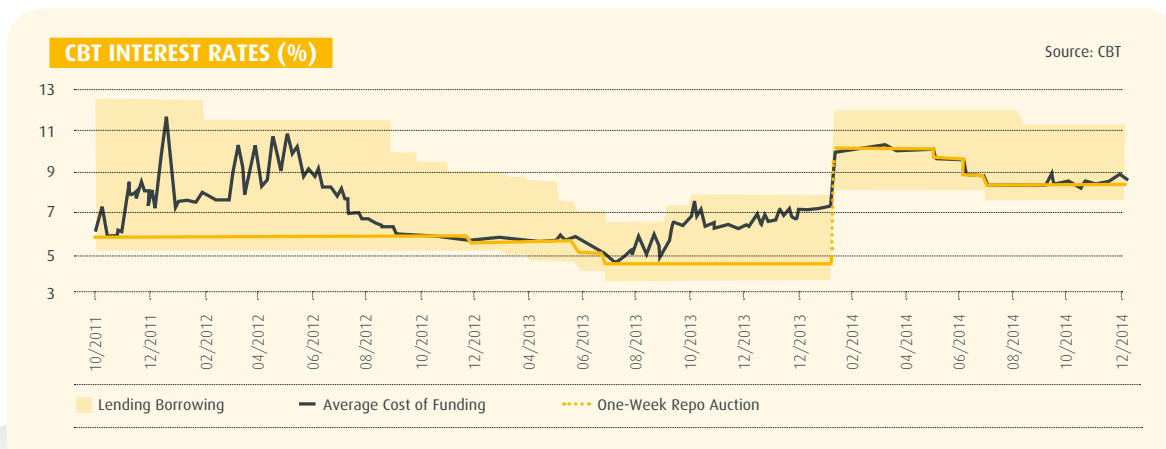
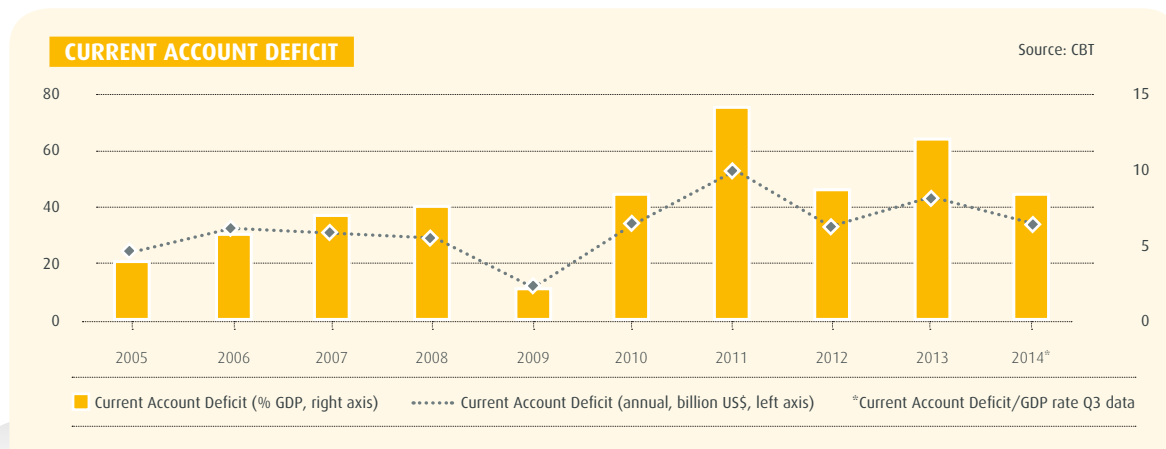
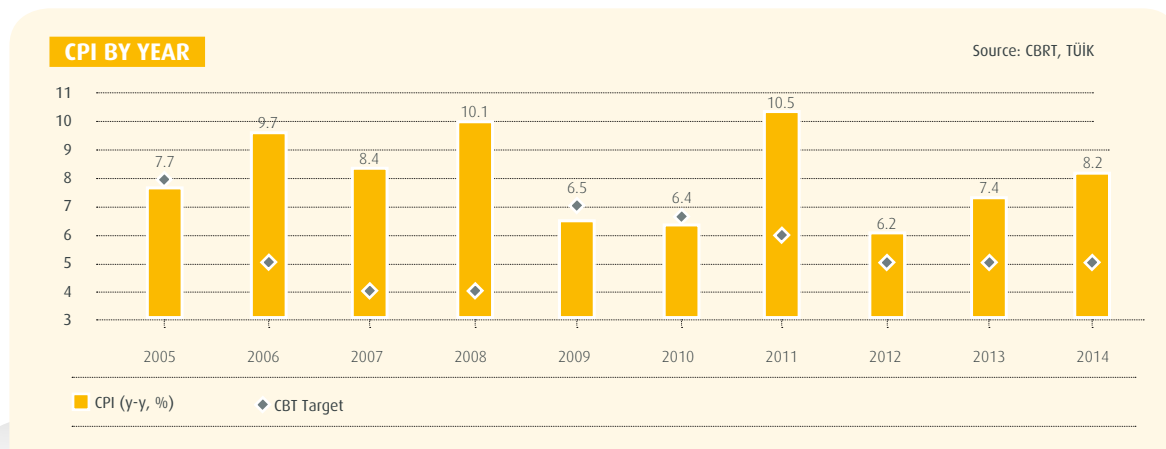
Following a policy of targeting price and financial stability jointly, the Central Bank of Turkey ("CBT") continued to use interest rate and other primary monetary policy tools together in 2014. Due to internal and external developments that affected risk perceptions negatively since the final months of 2013, the Turkish lira lost value and risk premiums increased during 2014. In this context, the CBT resolved to pursue a tight monetary policy and increased policy interest rates from 4.5% to 10%. For the first time at this meeting, the CBT used the term "firm stance on monetary policy", which it continued to refer to frequently at the Monetary Policy Committee meetings throughout 2014. The CBT kept the interest rates unchanged and maintained its discourse on "firm stance" until the meeting in May.

In May 2014, the uncertainties in domestic and international markets diminished to some extent, risk premium indicators showed some recovery and market interest rates began to decline. In light of these developments, the CBT decided to lower its policy interest rate for the first time in 2014 at the MPC meeting in May. The CBT cut the one-week repo rate, referred to as policy interest rate, which it had raised sharply at the intermediary meeting on January 28, from 10% to 9.5%.

Expecting that inflation peaked in May, the CBT cut the policy interest rate by 75 basis points at its meeting in June following a comment pointing to a considerable drop in inflation starting in June. On the other hand, despite the policy rate cut, making no change in the interest rate corridor was an indication of the CBT's preference for sustaining the existing tight monetary policy. While the CBT reduced the lower band of the interest rate corridor and the policy interest rate by 50 basis points at its July

meeting, it did not change the upper band of the interest rate corridor. This enabled the CBT to keep the interest rates higher in the market by limiting the liquidity it was pumping via the one-week repo rate, maintaining a tight monetary policy in case of an unprecedented development in the economy. In August, the CBT kept the policy rate and the lower band of the interest rate at the same level while it reduced the upper band by 75 basis points.

Thanks to both the base effect and declining commodity prices, inflation is expected to go down starting in the first quarter of 2015. In this scenario, the CBT is also expected to lower interest rates starting from the first quarter of 2015. On the other hand, the monetary policy to be followed in 2015 by the Fed, which is widely anticipated to start raising interest rates as soon as at the second quarter of 2015, will continue to affect capital inflows into developing countries. The Fed's decision on hiking interest rates is regarded as one of the key factors influencing the CBT's policies.



THE WORLD AND TURKEY IN 2014

In the first eleven months of 2014, the central government budget expenditures increased 11.2% over the previous year, while the budget revenues rose 8.4%.

TL
612

BILLION

The Central Government Gross Debt Stock amounted to TL 612 billion at end-November 2014.

THE BUDGET DEFICIT STOOD AT TL 11.3 BILLION IN DECEMBER 2014

The central government budget deficit declined from TL 17.3 billion in December 2013 to TL 11.3 billion in the same period of 2014. As a result, the central government budget deficit, which was TL 18.4 billion in 2013, totaled TL 22.7 billion in 2014. The central government budget expenditures increased 9.8% over the previous year, while budget revenues rose by 9.3%. The share of the central government budget deficit in GDP, which was 1.2% in 2013, is expected to have risen to 1.4% in 2014 according to the Medium Term Program (2015-2017); in 2015, this ratio is expected to decline to 1.1%. Meanwhile, the primary surplus in 2014 declined by 13.6% over the same period of the previous year. An important factor in terms of debt management, the primary surplus was TL 31.4 billion in 2013, which was above expectations, whereas it amounted to TL 27.2 billion in 2014.

CENTRAL GOVERNMENT GROSS DEBT STOCK

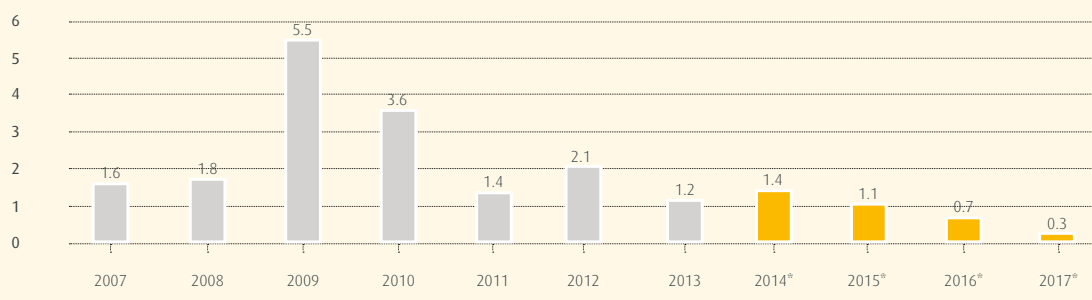
The Central Government Gross Debt Stock stood at TL 612 billion at end-December 2014; of which, TL 414.6 billion was in the form of local currency debt and TL 197.3 billion in foreign currency denominated debt. Within the framework of the Maastricht Criteria, also referred as the "EU's Financial Rule," the debt stock to GDP ratio has been declining steadily, particularly since 2009. This proves the importance of progress in fiscal policies and public administration in Turkey, which boasts an investment-grade credit rating.

As per 2014 realizations, the average cost of fixed income TL-denominated debt declined from 9.2% in 2013 to 8.8% while the average maturity of domestic cash debt decreased to 68.5 months in 2014 from 74.3 months in 2013. In order to broaden the investor base and diversify the funding base, Turkey continued to issue lease certificates, which were issued for the first time in 2012 and regularly issued in the domestic market since 2013. As part of this effort, a 10-year, US\$ 1 billion lease certificate with a 4.49% lease rate was issued on November 25.

In accordance with the 2015 borrowing strategy as announced by the Treasury, total domestic debt of TL 88 billion is forecasted for 2015, which corresponds to a rollover rate of 82%.

CENTRAL GOVERNMENT BUDGET DEFICIT/GDP (%)

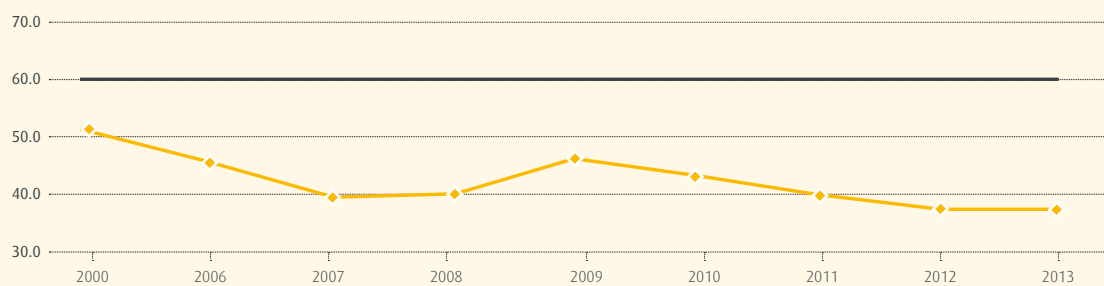
Source: Secretariat of Treasury



*indicating the targets of the Medium Term Program (2015-2017)

CENTRAL GOVERNMENT GROSS DEBT STOCK

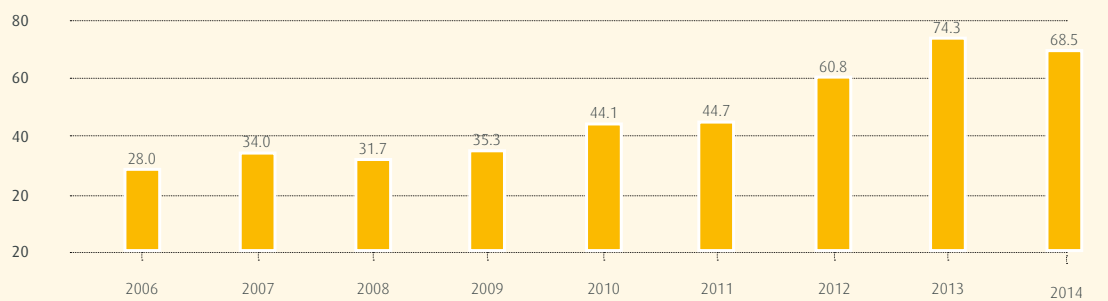
Source: Secretariat of Treasury



— Maastricht Criteria (60%)

DOMESTIC DEBT MATURITY (MONTHS)

Source: Secretariat of Treasury



THE WORLD AND TURKEY IN 2014

Similar to 2013, the share of deposits in the funding sources of the banking sector declined in 2014. The share of deposits in total liabilities dropped to 52.8% in October 2014, down from 54.6% in 2013.

15.1%

The Turkish banking sector's total assets increased 15.1%, to TL 1,994 billion.

BANKING SECTOR

LOAN GROWTH IN THE BANKING SECTOR SLOWED DOWN IN 2014.

The Turkish banking sector's total assets increased 15.1% in December 2014 over the same month of the previous year and climbed to TL 1,994 billion in 2014. As a result, the ratio of the sector's total assets to GDP stands at 117%. The sector's asset growth in 2014 was driven mainly by growth in loans, as the share of loans in total assets reached an all-time record level of 61.9%. Regulator's measures taken to reduce the current account deficit via increasing the savings rate were very effective on curbing loan growth in 2014. The regulation put in effect in February 2014 limiting the number of installments in retail credit card purchases, on top of the measures implemented in 2013, has prominently slowed down the growth pace of retail loans. The sector's retail loan book growth declined from 24.8% in 2013 to 7.3% in 2014. The annual growth rate of overall loans, which had stood at 31.8% at the end of 2013, declined to 18.5% in 2014. Total loans reached TL 1,241 billion as of December 2014. Growth rate of nominal non-performing loans increased steadily in the second half of 2014, also raising the NPL ratio. The banking industry's NPL ratio increased to 2.85% in 2014, up from 2.75% in 2013.

The share of loans in total assets increased in 2014 while the share of the securities portfolio in total assets declined. The share of securities portfolio in total assets was 15.2% in 2014, down from 16.55% in 2013. With the effect of interest rate hikes in the first seven months of 2014, the annual growth rate of the securities portfolio recorded an overall decline. Dropping to 2.2% in June, the annual growth rate of the securities portfolio started to rise in August following the CBT's decision to cut interest rates and it reached 5.4%. As a result, the banking sector's securities portfolio grew 5.4% compared to the same period in 2013 and totaled TL 302.3 billion.

THE SHARE OF DEPOSITS IN LIABILITIES ALSO DECREASED IN 2014

Similar to 2013, the share of deposits in the funding sources of the banking sector declined in 2014. The share of deposits in liabilities declined to 52.8% in 2014, down from 54.6% at the end of 2013. In 2014, the annual growth rate of deposits exhibited a major decline. After registering a 22.5% increase in 2013, the annual growth rate of deposits plummeted to 11.3% in 2014. Following the CBT's decision to raise interest rates sharply in January, deposit interest rates also rose in the first quarter of 2014. The growth rate of deposits began to slow in lock step with the decline in interest rates in the second quarter. Deposits continued to be concentrated in short term maturities in 2014, as the share of 1-3 month term deposits in total deposits rose to 53.7% at year-end 2014, compared to 53% in 2013.

As a result of reserve requirement rules of the CBT as well as the rise in the cost of deposits in line with the rising deposit interest rates in the second half of the year, the banking sector turned its attention to non-deposit funding sources in 2013. This trend generally continued in 2014, as non-deposit funding sources registered larger increases than deposits throughout the year. Consequently, the share of non-deposit funding sources in liabilities continued to increase and rose to 35.6%. The growth rate of shareholders' equity saw an upward trend throughout 2014 and materialized at 19.8% YoY in 2014, which is the second best annual growth since May 2013.

IN 2014, SECTOR NET PROFIT REMAINED UNCHANGED FROM THE PREVIOUS YEAR

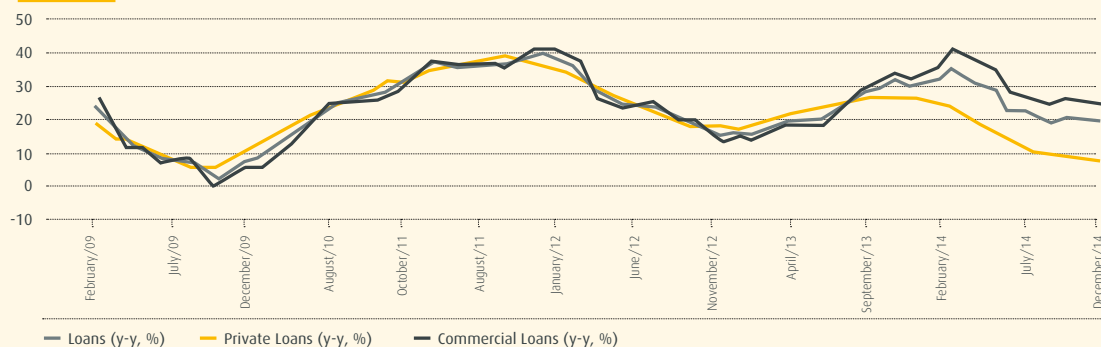
The sector's annual net profit growth declined gradually during 2014. Profits in January were 43.9% lower than the same month of the previous year. During the year, the decline in profitability leveled off and net profit in 2014 remained at TL 24.66 billion, the same level as the previous year. The slowdown in profitability was due to the increase in interest costs. The sector's net interest income increased 14.4% on an annual basis in December 2014, reaching TL 65.6 billion. At year-end 2014, the sector's RoA declined to 1.24%, from 1.42% in 2013, while RoE declined to 10.63%, from 12.73% in 2013.

The changing risk weightings of banks' assets after the enactment of Basel II rules in July 2012 resulted in a reduction of capital adequacy ratios in 2013. The capital adequacy ratio of the sector increased to 16.3% in 2014 from 15.28% at year-end 2013.

The contribution of domestic demand to the Turkish economy is expected to increase in 2015. According to forecasts, the annual growth rate of loans will also record an increase following rise in domestic demand; the recovery the annual growth rate of retail loans will be much faster than commercial loans. The sector will not encounter any difficulties in obtaining foreign funding in 2015 thanks to its sound financial standing. However, the Fed's decision to taper off asset purchases and to start raising interest rates in 2015 may increase the costs of foreign funding for the sector.

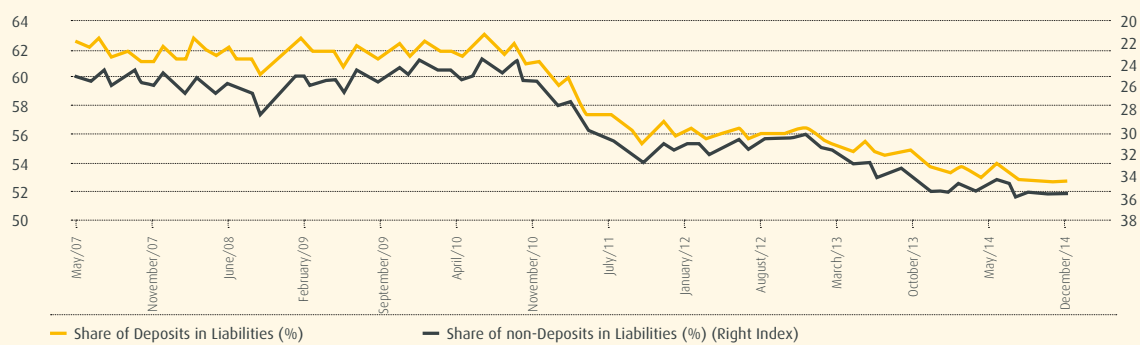
LOANS

Source: BRSA



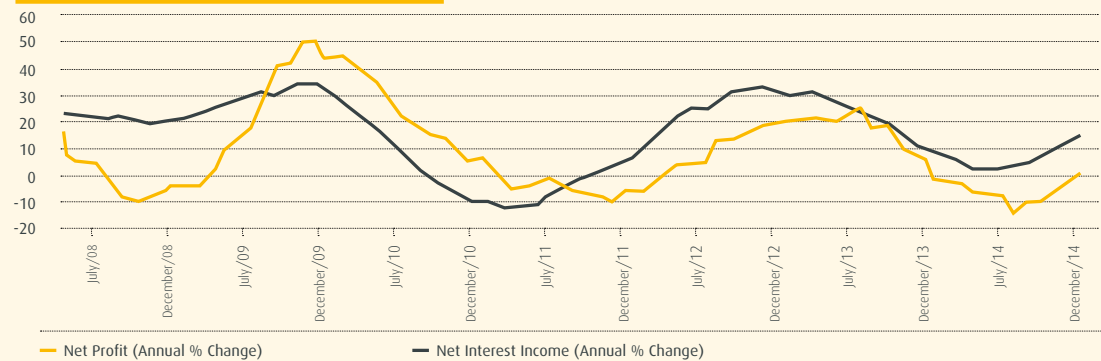
SHARE OF DEPOSITS AND NON-DEPOSIT SOURCES IN LIABILITIES

Source: BRSA



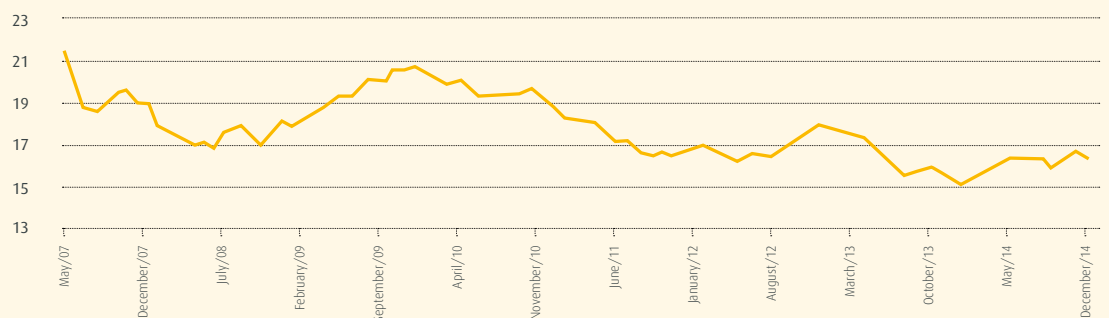
NET PROFIT AND NET INTEREST INCOME

Source: BRSA



CAPITAL ADEQUACY RATIO (%)

Source: BRSA



2014 AT A GLANCE



GLOBAL MEDIUM TERM NOTES

As the first bank to establish the Global Medium Term Notes (GMTN) program in Turkey, VakıfBank also issued the first ever euro-denominated corporate Eurobond in Turkey in a five-year, € 500 million placement as part of the GMTN program. The issuance broke a record in terms of the number of investors submitting bids: more than 450 institutional investors including the Central Bank of Turkey.



COOPERATION WITH TİM

An exclusive agreement was signed between VakıfBank and Turkish Exporters' Assembly (TİM) in which TİM was provided with loan options with affordable rate and terms to support the increase in the exports of TİM member companies.



BİST SUSTAINABILITY INDEX

VakıfBank was included in the BIST Sustainability Index, which assesses companies' performance in finance, the environment, social responsibility and corporate governance. The index is an important tool for investors, allowing them to easily identify and choose companies which are sustainable and progressive. The Bank became the only public institution and bank among 15 companies in the Index.

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VAKIFBANK VOLLEYBALL WOMEN'S TEAM IN GUINNESS BOOK OF RECORDS

VakıfBank Volleyball Women's Team, whom we have been proudly supporting for 28 years, went into the Guinness Book of Records, succeeding to win all of the 73 official matches between May 11, 2012 and January 25, 2014. Having been invincible for 624 days, the team broke a record by winning 42 consecutive games in the Turkish League, 20 in the European Champions League, 4 in the FIVB Club World Championship, 6 in the Turkish Cup, and 1 on the Turkish Super Cup. Titled as "The Most Consecutive Volleyball Victories in All Competitions", the team achieved championships in five different tournaments. Turkish League, Turkish Cup, Turkish Super Cup, European Champions League and the FIVB Club World Championship without facing a defeat thus winning all the available titles in a season.



60TH ANNIVERSARY EVENTS

VakıfBank's annual establishment anniversary events were also celebrated cheerfully at our 60th anniversary. Expressing its loyalty and respect for the "foundation heritage" in its roots with a commercial movie, VakıfBank celebrated its 60th anniversary with employees on April 13th at its Head Office and all regional directorates. During the events, employees who have worked for the Bank for 15 or 20 years were presented with awards as part of the Bank's traditional celebrations.



AGRICULTURAL BANKING WAS ESTABLISHED

Establishment of the Agricultural Banking business line is one of the most important milestones among the developments in VakıfBank's products and services in 2014. After beginning to provide farmers with more customized versions of special products and services that were previously offered under SME Banking, VakıfBank Agricultural Banking rapidly finalized its organizational development. Launched in approximately 900 branches located across the entire country, agricultural banking products began serving our farmers with the goal of providing them with the most suitable products with the best timing under the most attractive terms and conditions.

REVIEW OF OPERATIONS IN 2014

Within Corporate Banking, VakıfBank developed a strategy and an action plan that emphasized improving asset quality and profitability with a customer-focused approach. With this approach, the Bank significantly increased the number of customers, cross-selling volume, and profitability of this business line.

5%

In 2014, the Bank's Corporate Banking customer base grew 5%.

CORPORATE BANKING

VakıfBank meets the entire corporate banking product and service needs of its customers with a specialized sales and operations staff, rich product portfolio, extensive branch network, advanced technology infrastructure and efficient business processes.

Corporate Banking developed a strategy and an action plan that emphasized improving asset quality and profitability, selecting customers and transactions judiciously, and, in particular, focusing on customers who use a large number of products. Under this approach, Corporate Banking significantly increased the number of customers, cross-selling volume, and profitability of this business line. The Bank's Corporate Banking customer base grew 5% in 2014.

NEW CUSTOMER ACQUISITION

One of the Bank's strategic targets is to grow and acquire market share in the small and medium-size enterprise segments. VakıfBank used a wide variety of offerings to achieve this objective, including direct debit system (DDS), card-based collection systems, dealership letter of guarantee agreements covering the dealer and supplier networks of corporate customers, and wholesale payment systems. The Bank is striving to become the primary bank of corporate customers, their affiliates and subsidiaries. In addition, VakıfBank acquired numerous new customers among supplier and dealer firms, and companies in other areas of the financial value chain.

"EFFECTIVE AND EFFICIENT STRATEGY TO BE THE MAIN BANK OF CUSTOMERS"

Serving in the corporate banking segment with a customer-focused sales and marketing strategy, a company-specific service approach and an approach that values customers as long-term business partners, VakıfBank also managed to increase its transaction volume in 2014 thanks to its "Effective and Efficient Strategy To Be the Main Bank of Customers" vision.

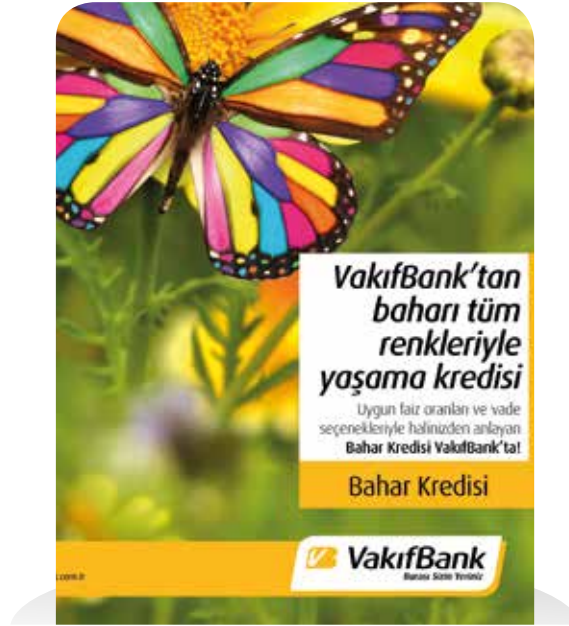
Managing to maintain its high asset quality in 2014, VakıfBank continued to provide loan support to real sector companies that were determined by effective and healthy customer selection criteria, increasing its cash loan volume by 34% and non-cash loan volume by 10%.

In addition, VakıfBank continued providing high-quality and efficient services to corporate customers with significant foreign trade volumes through its extensive network of international correspondent banks, expert sales and operational staff, retooled foreign trade business processes, and advanced technology infrastructure. The Bank increased its foreign trade volume by 39% during the year.

In 2014, as in the prior year, the Bank generated sources that enabled it to extend the average maturity of the liabilities side of the Bank's balance sheet and reduce funding costs. These activities lowered the funding cost along with the use of products that generated non-deposit resources. Fund inflows lowering overall funding costs increased 44% in 2014 compared to 2013.

Thanks to the strategy of increasing cross selling to corporate segment customers, VakıfBank increased the volume of check payments intermediated by the Bank by 26%, raised the volume of tax and social security collections by 14%, and boosted the number of customers using Gümkart by 5%. VakıfBank sees its customer relations as the foundation of long-term partnerships and stands by its customers under all circumstances and market conditions.

In 2015, VakıfBank aims to further strengthen cooperation with existing customers and gain new clients with its innovative products and cash/non-cash loan facilities. VakıfBank has always strived to provide high-quality advanced technology service at the prevailing standards in the marketplace. The Bank is committed to standing by customers under all circumstances by developing relations with retail and commercial clients on a strong



cooperative foundation in line with the loyalty principle. In 2015, VakıfBank aims to expand its customer portfolio and strengthen its cooperation with its existing clients with new products and product development.

CASH MANAGEMENT

As part of system upgrade activities launched in 2013 and continued in 2014, Cash Management products were updated and reorganized under a new structure in line with the needs and demands of customers. Customer-specific integration solutions were created for clients, mainly for public projects. Significant increases were achieved in all products through effective marketing.

In 2014, the Bank took important steps to rank among the leading banks in meeting the preference criteria of commercial and corporate customers by adopting the latest electronic developments in the finance area. To this end, VakıfBank entered the market with the e-receipt as the fourth special integrator bank and signed agreements with numerous companies for special integratorship service at the end of 2014 by increasing the number of cash management products.

The number of customers using Gümkart among customs duty paying companies continued to increase and the share of payments made with Gümkart amounted to 45% in the foreign trade tax revenues announced by the Revenue Administration in 2013. The number of customers registered in the Gümkart system increased by 9% at year-end 2014 compared to a year earlier. Furthermore, in 2014, to be able to serve our customers with different application demands, the Bank carried out initiatives for the "Customs Tax Payments via SMS" project under the competitive market conditions; the project is expected to be completed in 2015.

The processing infrastructure of the DDS, one of the most important supply chain financing products offered by VakıfBank, was completely reconfigured in line with customer needs and gained a functional structure. The

Direct Debit System (DDS) continued to be marketed heavily in 2014 for its prime role for commercial and corporate segments. As a result, new customer acquisitions increased 28% among corporate and commercial parent companies and 25% among dealers.

The General Directorate of Forest Establishments was added to the network of the Dealer Collection System (DCS); the collection of commodity sales was conducted via the Bank's Dealer Collection System. Under the Fee and Tax Collection of Debt Collection Agencies initiative launched at the end of 2012 with the infrastructure of the DCS product, the Bank facilitated the collection of large sums in 2014; the number of customers in collections increased by 11% in 2014 and collections were up 80% over the same period of the previous year.

Within the Institution Collections segment, the number of institutions VakıfBank mediated collections for increased by 8% in 2014. In two of the most important accounts in corporate collections, social security and tax collections, market shares increased as transaction volumes grew by 24% and 17%, respectively.

The transaction volume of the Mass Payment System, which reduces the operational overhead of both banks and customers, increased 129% while the number of transactions rose 257%. This was mainly due to the fact that via full integration of the online MPS infrastructure with the National Judiciary Informatics System (UYAP), banking transactions at debt collection agencies were transferred to the electronic environment. In addition, lawyers who had Barokart were able to transfer money and use the system in their transactions for UYAP within the framework of the cooperation with the Union of Turkish Bar Associations.

Thanks to these developments, income from Cash Management Products in 2014 increased by 50% over the previous year.

50%

Income from Cash Management Products increased 50% in 2014.

REVIEW OF OPERATIONS IN 2014

With the updated technology systems infrastructure that enables VakıfBank to provide modern banking services with a customer-focused service approach, the Bank maintained steady growth in 2014.

14%

In 2014, VakıfBank increased the number of commercial customers by 14%.

COMMERCIAL BANKING

Serving SMEs, public institutions and enterprises through its Commercial Banking business unit structured under the Commercial and Corporate business line, VakıfBank maintained steady growth in 2014 with an updated technology systems infrastructure that enables modern banking services with a customer-focused service approach.

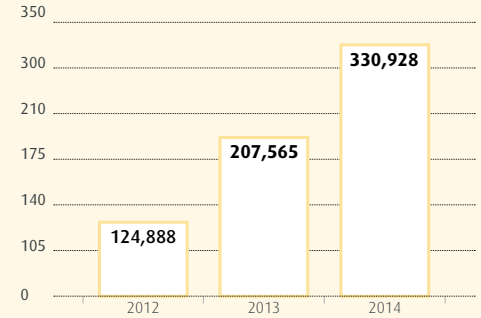
STEADY GROWTH

With its experienced and expert human resource and extensive product portfolio, VakıfBank aims to be the “Main Bank of Customers”, acquire new customers and establish strong and long-term relationships with them. Under this approach, the Bank increased the number of commercial customers by 14% in 2014.

The funding needs of commercial customers have been met by a non-cash/cash loan product portfolio suitable for their financial structure via the Bank’s extensive branch network. As a result, VakıfBank attained a 22% increase in commercial cash loans and 34% growth in non-cash loans as of year-end 2014.

All import, export and foreign trade related payments of our commercial customers have been carried out by an expert team through an extensive network of correspondent banks in a fast and reliable fashion. In addition, foreign trade campaigns were conducted exclusively for exporting and importing customers in 2014. As a result, the existing customer portfolio was broadened and new clients were acquired. With the loan agreement between the Bank and the European Bank for Reconstruction and Development (EBRD), financing needs of commercial customers for foreign trade transactions were met and commercial customers were provided with alternative financing through domestic and foreign Eximbank loans or CBT loans. Along with foreign trade products, such as letters of credit, pre-financing or post-financing, the Bank paid utmost attention to providing services for all other import/export tasks.

NUMBER OF SME BANKING CUSTOMERS



PROJECT AND INVESTMENT FINANCING

In 2014, the Bank continued to contribute to the growth of the real sector by meeting the financing needs of its commercial customers for their projects and investments. By providing the funds obtained from the EIB and the World Bank as investment and working capital for the real sector, new solutions were generated to serve the needs of commercial customers resulting from their projects and investments. Under the agreement signed with the European Investment Bank (EIB), the Bank contributed to local development by providing funds for the investment expenditures of municipalities and their enterprises. Following these developments, the volume of project loans provided to our commercial customers rose 35%.

In consideration of the principle that “Sustainable development is only possible in a sustainable environment”, the Bank obtained cost-effective funding from international finance institutions for the funding of energy efficiency projects of SMEs with the aim of preventing greenhouse gas emissions, reducing the consumption of fossil fuels, and lowering energy costs. In this area, VakıfBank became one of the leading banks in sustainable energy funding by continuing to provide our customers in 2014 with the TurSEFF-II loan funded by the European Bank for Reconstruction and Development (EBRD), with the involvement of the European Investment Bank (EIB) as the co-financing mechanism.

Via its high-quality and fast service approach, providing customer-specific service with products designed specifically for its customers, the Bank will continue to operate in line with the goal of reaching profitable, high-quality, broad-based growth by providing financial solutions for the activities of commercial companies in 2015.



SME BANKING

INCREASING ITS CASH LOANS BY 20.63% IN 2014, VAKIFBANK CONTINUED TO GIVE ITS FULL SUPPORT FOR SME CUSTOMERS.

In line with its "Compassionate Bank" approach, VakıfBank continued to grow by expanding its product and service portfolio in SME Banking line and enabling alternative channels for SME customers to access financial products more easily. In the sector, where the customer needs constantly diversify, VakıfBank has developed convenient solutions by thoroughly analyzing the needs of SMEs.

2014 PERFORMANCE

On the basis of the provisions for the "Regulation on Definition, Classification and Qualifications of Small and Medium Size Enterprises," VakıfBank continued supporting SME customers in 2014; cash loans increased by 20.63% compared to the previous year.

VakıfBank continued to develop innovative products to meet the specific needs of SME customers in 2014:

- In order to enable exporting SMEs to carry out their foreign trade transactions more easily at lower costs, "Söz Veren İndirim Sözü'nü Tutana İhracatçı Destek Paketi" was renewed and the Bank signed a cooperation agreement with the Turkish Exporters' Assembly (TİM) in order to meet the financing needs of exporting SMEs. Within the scope of the cooperation agreement, exporting SMEs will be provided with financing opportunities at affordable interest rates.
- The Bank provided "Urban Transformation Business Loans" in order to re-construct, reinforce or re-locate businesses which are identified to be "risky structures" or in "risky areas" following the diagnosis report prepared by companies authorized by the Ministry of Environment and Urban Planning, pursuant to the "Law Pertaining to Transformation of Areas Under Disaster Risk No. 6306".
- Having signed a co-financing agreement with the Small and Medium Enterprises Development Organization (KOSGEB), the Bank provides financing for SMEs within the

scope of five different support programs: R&D Innovation and Industrial Applications, Project, Entrepreneurship, Cooperation-Collaboration, and Thematic Project.

- VakıfBank continued to provide full support to SMEs who are members of Chambers of Commerce and Industry. In line with this approach, the Bank signed cooperation agreements with the Chambers of Commerce and Industry in provinces from all regions of Turkey including Izmir, Sivas, Bursa and Elazığ; under the agreements, chamber members were presented financing opportunities with up to seven year terms at affordable rates.
- VakıfBank continues to secure cost-effective facilities from abroad and provide them for the use of SMEs. In 2014, funding amounting to € 25 million provided by the European Investment Bank was presented for the use of SMEs operating in regions which are prioritized for development within Support for the Greater Anatolia project; all of the funding was used in short period of time.
- For its 60th Anniversary in 2014, VakıfBank provided SMEs with the 60th Anniversary Loan that is available with 60-month terms at affordable interest rates and includes a documentation fee of only TL 60. For the cash needs of SMEs, the Bank also provided the "Summer Loan Campaign" with options including the 90-day grace period at flexible interest rates starting from 0%, installment deferrals up to four installments in total and flexible payment plans with installments.
- In order to meet the increasing cash needs of SMEs at the end of the year and provide a financial break for the last months of the year, the "Early Welcome to 2015 Loan Campaign" was launched with a four-month grace period, a rare opportunity in the sector.
- The "Hesap Ortada Loan Campaign" was developed to support the unexpected financial needs of SMEs in interim periods. With this campaign, SMEs were offered various loan opportunities with interest rates starting from 0%.
- The Bank secured a € 25 million facility from the European Bank for Reconstruction and Development (EBRD) to support women entrepreneurs. A new loan product will be available for women entrepreneurs in 2015.

20.63%

VakıfBank continued to support SMEs by increasing cash loans by 20.63% in 2014.

REVIEW OF OPERATIONS IN 2014

The development of TARIM KART, which will enable loan payments at harvest time, is expected to be completed in the first half of 2015.

14

Expert agricultural engineers were posted at branches in 14 regions.

NEW PRODUCTS

- VakıfBank maintained its eco-friendly banking approach in 2014 within the scope of Environmental Banking. To this end, the SME Energy Efficiency Project was launched in cooperation with the World Bank. Some US\$ 67 million was allocated to VakıfBank under this initiative while the Bank contributed US\$ 16.75 million as its co-funding share. As part of the project, energy efficiency investment projects for SMEs are financed at affordable rates and technical consultancy services are provided for the energy efficiency projects of SMEs. VakıfBank takes pride in being the first bank to provide loans under the World Bank SME Energy Efficiency Project, which involves a total of three commercial banks.
- Having formerly provided service within the equity guarantee agreement in order to meet the loan demands of SMEs that cannot provide sufficient guarantees for their loan needs via Garanti Fonu A.Ş. (KGF) guarantee, VakıfBank presented SMEs with the KGF Guarantee with Treasury Support option in 2014. In addition, the Bank finances projects of site owners in Organized Industrial Zones pursuant to an agreement to be signed by the Bank, KGF, and the Organized Industrial Zones.
- In order to provide SMEs with easier access to banking products and services, the SME Apply Now Application was launched in 2014. With this innovative offering, it is possible to apply for nine distinct products such as loans, check-books, POS devices and business cards. The number of applications received for the SME Apply Now Application reached 3,645 between the product's launch date of August 21, 2014 and year-end 2014.

LAUNCH OF AGRICULTURAL BANKING OPERATIONS

- The Bank underwent restructuring in order to meet the demands of agricultural producers quickly and to increase customer satisfaction. As a result, the Agricultural Banking business line was established to provide exclusive solutions to producers and farmers in the agriculture sector.
- New loans with flexible repayment terms were developed to provide service for all producers operating in various segments, from crop planting, greenhouse farming, and animal husbandry to poultry farming, beekeeping and aquaculture. The Bank introduced loan products tailored to the cash flow patterns of customers based on crop cycles and harvest times.
- The Bank created specialist teams comprised of expert agricultural engineers at the branches to give onsite support. These experts, employed as Regional Agricultural Marketing and Sales Managers, initially commenced service at branches in 14 regions. As a result, the Bank was able to reach a large number of producers in the designated regions, informed them about its Agricultural Banking products, and began to grow its customer portfolio.
- Numerous branches located in regions with high agricultural potential were visited by the Head Office units. All interested individuals were informed about the strategy and targets of the Head Office and the Agricultural Banking business line.
- In order to establish our Agricultural Banking image and to meet the producers in the sector and the companies sustaining the system, the Bank participated in prominent agriculture fairs in Bursa, Adana and Antalya. Our employees from the area branches attended these fairs and promoted our exclusive products for the industry to the producers.
- In light of IPARD funding support of the Agriculture and Rural Development Support Institution's investment program as well as rural development investment programs with funding support from the Ministry of Food, Agriculture and Livestock, the Bank developed flexible investment products for agricultural producers to finance these investments and to offer loans to them under attractive payment terms and conditions.
- Improvements in the TMO KART product, which enables producers to receive payments quickly for their products delivered to the Turkish Grain Board (TMO), are at their final phase of development before the launch of the product. The card, which allows farmers to get paid quickly, will be introduced to the customers during the year.
- The development of TARIM KART, which will enable agricultural producers to purchase basic needs such as fertilizer, fuel and pesticides under suitable terms and pay for these purchases during the harvest time, is expected to be completed in the first half of 2015.

RETAIL BANKING

As the industry leader in retail banking where the competition is heating up, VakıfBank serves 11 million retail customers. VakıfBank's retail loan portfolio was up 7.75% over the previous year while total the consumer loan volume grew 9.22% in 2014. The Bank's total consumer loan portfolio is comprised 50.36% of general purpose consumer loans, 48.17% of mortgage loans, and 1.47% of auto loans.

GENERAL PURPOSE CONSUMER LOANS CONTINUED TO GROW

The Bank's general purpose consumer loans grew 12.35% in 2014. As of year-end 2014, VakıfBank's market share in this segment stood at 10.02%.

CUSTOMER-SPECIFIC RETAIL LOAN PRODUCTS

VakıfBank diversified its retail loan product lineup along with the target customer base in 2014 with new products and services. With the VIP Consumer Loan and Gold/Platinum Consumer Loan, VakıfBank provided exclusive consumer loans for customers in the high-income segment. Further, in order to enable customers who use their VakıfBank credit card to pay for their urgent expenditures in installments and their shopping to use their cards more actively, VakıfBank launched the Invoiced Urgent Consumer Loan. The other traditional loan campaigns of the Bank, including Anniversary Loan, Holiday Loan, and New Year Loan, were made available to all retail customers during 2014.

EXPANDING DEALER NETWORK IN AUTO LOANS

The Bank's auto loans declined in 2014 in line with the contraction in the market and lower auto sales. However, the Bank was only minimally impacted by this contraction owing to its prudent strategies in auto loans. The Bank aimed to minimize the contraction in its auto loan book and expand its dealer network to contain the loss of business during the year. The Bank also introduced new products with various payment options to meet different customer needs including the "Hello Vacation New Car Purchase Loan" and "New Car Purchase Loan Opportunity".

VAKIFBANK MAINTAINED ITS POSITION IN THE SECTOR IN MORTGAGE LOANS DURING 2014

Maintaining its leading market position in the sector in 2014, VakıfBank recorded 7.63% growth in its mortgage loan portfolio. Offering mortgage loan services under the "Yellow-Shutter" brand, VakıfBank secured an 11.38% market share in mortgage lending in 2014 thanks to a wide range of products offered through its high quality service concept, personalized flexible payment options, and effective campaigns.

Through its specialized mortgage team, www.saripanjur.com.tr and the 444 5 724 Call Center, Yellow-Shutter Mortgage Loans offer prospective homeowners the opportunity to find answers to all of their questions and apply for loans in a fast and convenient manner.

In 2014, VakıfBank continued to offer loans to customers who wish to become homeowners in real estate projects. The Bank evaluated nearly 150 residential projects and

signed 42 new agreements with leading companies in the sector such as EGYO, TOKİ, and KIPTAŞ, along with municipalities and residential cooperatives on new residential and urban transformation projects. VakıfBank successfully provided financing for nearly 140 branded residential and urban transformation projects.

In addition, customers who want to become homeowners with personalized payment options from VakıfBank Yellow-Shutter (SarıPanjur), can access the contracted housing projects by visiting www.saripanjur.com.tr, as well as through VakıfBank stands in real estate development project sales offices.

The www.saripanjur.com.tr website was retooled to improve communications with customers through digital channels as part of our policy of utilizing state-of-the-art technologies.

The Bank also launched the "Web Yellow-Shutter" mortgage loan campaign on July 1, 2014, allowing mortgage loan requests to be handled through the website.

As part of its customer-centric banking approach, VakıfBank continued to offer mortgage loans and products and services developed to meet the needs of the marketplace and customer demands. Along with the 14 Yellow-Shutter Mortgage Loan products presented in 2014, the Bank continued the Bosch Discount Campaign for Yellow-Shutter Mortgage loan customers, as well as special mortgage loan campaigns for public employees, the Police Solidarity and Assistance Fund (POLSAN), Turkish Armed Forces Assistance and Pension Fund (OYAK) members, and other occupational groups such as lawyers.

The "60th Anniversary Mortgage Loan Campaign," the "Summer Special Mortgage Loan and Mortgage Loan Balance Transfer Campaign," and the "Autumn Special Mortgage Loan and Mortgage Loan Balance Transfer Campaign" were carried out successfully in 2014. As a result of these campaigns targeting particular professions and employees of specific sectors, approximately 300,000 people have become homeowners thanks to VakıfBank Yellow-Shutter in 2014.

EXPANDING COOPERATION BETWEEN VAKIFBANK AND PTT

Carried out under the agreement signed between VakıfBank and the General Directorate of Post and Telegraph Organization (PTT), 278.21% growth was attained in loan transactions and disbursements for PTT employees and Social Security Institution pensioners that receive their payments through the PTT. VakıfBank successfully reached a broader customer portfolio as a result of this ongoing agreement.

SUPPORT FOR VOLLEYBALL

VakıfBank launched the "Volleyball Support Loan" in 2014 to provide support for the needs of athletes participating in volleyball leagues, as well as volleyball coaches, technical crew, and volleyball club employees. As of July 2014, VakıfBank provides a cost-free "Volleyball Support Loan" of up to TL 100,000 for these individuals and groups.

12.35%

General purpose consumer loans grew 12.35% in 2014.

REVIEW OF OPERATIONS IN 2014

VakıfBank increased its overdraft account portfolio by 20.06% in 2014, making a significant contribution to the Bank's profitability.

12.60%

VakıfBank increased the number of Golden Era Account customers by 12.60% in 2014.

GENERAL PURPOSE CONSUMER LOAN PACKAGES FOR PROFESSIONAL GROUPS

Special campaigns were organized and offered primarily for the Turkish Radio and Television Corporation, and Tax offices in selected cities as well as for corporate payroll customers, public/private institutions and organizations in 2014.

INCREASE IN OVERDRAFT ACCOUNTS

VakıfBank increased its overdraft account portfolio by 20.06% in 2014, making a significant contribution to the Bank's overall profitability.

GOLDEN ERA ACCOUNT

VakıfBank increased its Golden Era Account customers by 12.60% in 2014. This account allows customers to receive additional income on their gold holdings while protecting their gold assets from theft and labor loss. In addition, customers are also offered the opportunity to save by authorizing the Bank to make purchases and sales of gold on a gram-by-gram basis. In this way, the Bank also appeals to customers who are not open to investing in interest-yielding instruments.

MOBILE BANKING

VakıfBank launched a mobile banking application in 2014 that can be used on mobile devices. Retail customers are now able to carry out numerous transactions by installing the app and completing an activation process on their devices.

Additionally, by installing the application on their devices, customers can utilize VakıfBank's new security product "Cep İmza (Mobile Signature)". With this innovation, customers are only required to approve via Cep İmza when they carry out a transaction that requires their mobile banking login and password, making the entire process easier for customers.

STRATEGIES FOR 2015

VakıfBank aims to increase its market share and expand its consumer loan portfolio in 2015 by reaching new customer segments. The Bank also plans to meet customer demands by enriching its product range and creating various payment alternatives.

In addition, as part of its customer satisfaction-oriented service approach, VakıfBank plans to expand its portfolio of ATM cards to encompass a wider variety of products, and offer new products to various customer segments.

VakıfBank will continue to pursue its efforts to increase non-interest income by organizing campaigns and investing in its technological infrastructure. This will allow the Bank to maximize customer profitability, maintain a competitive edge in the sector through efforts to encourage customer loyalty, and increase its cross-selling ratio.

CORPORATE PAYROLL ACTIVITIES

As one of the leading banks in corporate payroll activities, a fiercely competitive segment of the banking industry, VakıfBank expanded its pension operations, becoming one of the most preferred banks by employees of both the public and private sectors as well as by pensioners.



PRIVATE BANKING

VakıfBank Private Banking aims to increase customer profitability by acquiring new customers, fostering loyalty, reducing sensitivity to interest, and raising the share of non-interest income through the discretionary management of customer assets according to risk profiles and return expectations of customers.

Private banking activities have been carried out in the Turkish banking sector since the end of the 1990s, and competition has broadly increased over the past 10 years. According to October 2014 data published by the Banking Regulation and Supervision Authority (BRSA), those depositors who have foreign currency deposit accounts and savings accounts worth more than TL 250,000 make up 0.73% of the total number of depositors, which stands at 407,141. These high net worth depositors account for 51.39% of total savings deposits.

The number of depositors who have foreign currency deposit accounts and savings accounts worth more than TL 1 million grew from 34,921 at year-end 2010 to 76,103 in December 2014.

The volume of private banking in Turkey, which stands at more than US\$ 120 billion, is expected to continue growing.

VakıfBank Private Banking provides customized financial solutions for high net worth customers who have TL 300,000 in total assets through Private Banking Portfolio Directors, who are specialized in their respective fields. In addition to the standard banking products, alternative investment options suitable for the needs and expectations of Private Banking customers are offered at special service points that are designed by taking customer comfort into consideration.

Having started its branch network in 2011, VakıfBank Private Banking provides services for customers at seven branches as of 2014. The Bank plans to increase the number of branches and aims to provide a larger number of customers with VakıfBank Private Banking's exclusive services in 2015. Building its growth strategies on new customer acquisition and customer satisfaction since its establishment, VakıfBank Private Banking reached total assets under management

(AUM) of TL 1.6 billion as of year-end 2014. Some 98% of the total AUM came from new customers. At the same time, the Bank's exceptional service concept formed the basis of long-term relationships with its customers. VakıfBank Private Banking is expected to grow with increasing momentum in 2015.

While providing customers with core banking products and services with tailor-made pricing alternatives, VakıfBank Private Banking also continues to expand its product portfolio with private investment and loan products in line with market dynamics and the expectations of its target customers.

VakıfBank developed the "Enjoyable Retirement" product packages, which include Individual and Group Retirement plans for private banking customers, to compete effectively with other banks in the private banking segment, to reach customers by offering loan products tailored to their interests, and to increase profitability by delivering high-quality services alongside an extensive product range meeting customer expectations. Aiming to stand by its customers at every moment of their lives, VakıfBank Private Banking launched the "VIP Health Insurance" and "Emergency Health Insurance" products with extensive coverage. VakıfBank Private Banking will continue to offer and diversify its investment, loan and insurance products and services.

There is intensive competition in the private banking segment where many banks offer special events and activities aimed at increasing customer loyalty in addition to customized products and services developed exclusively for private banking customers. VakıfBank Private Banking differentiates by offering non-financial in addition to financial benefits and specialized events and boutique activities designed in line with customers' interests. Based on customers' interests, VakıfBank organized various art and history activities, laying the foundations for long-term relationships with existing and potential customers.

VakıfBank Private Banking plans to continue increasing its market share with the power of the VakıfBank name, which stands out in the industry with its strength and reliability, while making a difference in the private banking segment.

1.6

TL BILLION

VakıfBank Private Banking's assets under management (AUM) grew to TL 1.6 billion as of year-end 2014.

REVIEW OF OPERATIONS IN 2014

Maintaining a solid deposit base in 2014, VakıfBank expanded its total deposits by 12.54% YoY, to TL 91.8 billion.

16.1%

Savings deposits rose to TL 36.4 billion as of end-2014, up 16.1% on the previous year.

TREASURY MANAGEMENT

Global economic activity has slowed since first quarter 2014. Inflation rates remained subdued thanks to rapidly falling commodity prices led by a precipitous decline in oil prices. There has been a major decoupling between the growth performance of the United States and other major economies. Economic growth in the Eurozone and Japan weakened and emerging markets including China lost their high growth rates while the US economy staged a powerful recovery.

The differences in growth prospects of the major economies were also reflected in their monetary policy measures. Following the Fed's decision to taper off its asset purchase program in October, the markets expect the Fed to start a series of interest rate hikes in mid-2015. On the other hand, the ECB and the BOJ, along with the Central Bank of the Republic of China, are expected to loosen their monetary policies and take new steps to revive economic growth. These differences between economies may ultimately affect the normalization process of the Fed's monetary policy.

Turning to the developments in the Turkish economy in 2014, global financial fluctuations impacted Turkey in similar ways to other developing countries. The CBT embarked upon a process of monetary tightening in first quarter 2014, but then began to make moderate cuts in policy interest rates as domestic and international uncertainties diminished after the second quarter. In the last quarter of the year, the CBT began pursuing firm liquidity policies in the face of increasing geopolitical

risks and financial uncertainties. Demand-side pressures continued despite declining energy prices; as a result, the foreign exchange rate as well as food prices rose above the inflation target. In an effort to support the banking sector, CBT began making partial interest payments on the Turkish lira-denominated required reserves.

Slowing growth in European countries, Turkey's largest export market, combined with weakening international demand following geopolitical developments in neighboring countries, slowed the growth pace of exports. However, falling commodity prices, the precipitous decline in oil prices in particular, helped the current account deficit by reducing total imports. Macroeconomic measures put in place by the administration brought credit growth under control and slowed household borrowing. In spite of the fluctuations in global financial markets, the Turkish banking industry continued to raise non-deposit funding and foreign capital at an increasing rate, indicating the strength and reliability of the banks in the sector.

AN EFFECTIVE LIQUIDITY MANAGEMENT PROGRAM CARRIED OUT IN LIGHT OF PROFITABILITY AND PRUDENCE PRINCIPLES

Taking into consideration the elements of the policies undertaken by the CBT within the profitability and prudence principles, the Bank has implemented a dynamic liquidity management program that actively utilized the reserve option mechanism. The Bank's liquidity management strategy in 2015 will be driven primarily by CBT policies as well as by interest rate expectations.



DYNAMIC SECURITIES PORTFOLIO MANAGEMENT PROCESS UNDERTAKEN

VakıfBank, one of the 13 market maker banks as appointed by the Turkish Treasury, continued to be an active player in both the primary and the secondary bond and bill markets in 2014. The Bank followed a dynamic securities portfolio management strategy and modified the portfolio size according to market conditions and expectations in addition to shaping the securities portfolio based on interest rates, maturities, and asset types. The Bank aims to increase its trading profit through dynamic securities portfolio management by taking advantage of fluctuations in the securities market interest rates in 2015.

VAKIFBANK'S TOTAL DEPOSITS ROSE TO TL 91.8 BILLION IN 2014

The Bank maintained a broad and reliable deposit base in 2014 thanks to effective strategies to increase deposits as well as its extensive branch network. VakıfBank's total deposits grew 12.54% year-on-year, to TL 91.8 billion, comprised of TL 65.7 billion in local currency and TL 26.1 billion in foreign currency deposits.

Savings deposits totaled TL 36.4 billion in 2014, a 16.1% YoY increase. During this period, lira-denominated savings deposits were up 15.2%, to TL 24.1 billion; meanwhile foreign currency-denominated savings deposits climbed to TL 12.3 billion, up 17.8%. The Bank's savings deposits-to-total deposits ratio increased from 38.4% in 2013 to 39.6% in 2014.

Focused on growing and broadening its deposit base, which funds 58% of total assets, VakıfBank continued to utilize its effective strategy of expanding the funding base. Its success in attracting demand deposits as a source of strength in reaching this goal has allowed the Bank to maintain its demand deposits at high levels. VakıfBank's demand deposits increased 22.9% during the year, to TL 16.8 billion, up from TL 13.7 billion in 2013. The Bank's demand deposits-to-total deposits ratio stood at 18.3% in 2014.

On the strength of its rapidly-expanding branch network, high-quality services, and policies that prioritize customer satisfaction, the Bank will continue to pursue deposit base growth policies and implement a source-oriented management strategy in 2015. These efforts will enable the Bank to maintain a steady increase in deposits.

The systematic improvements implemented over recent years bore fruit in 2014. Thanks to a strong systems infrastructure that supports efficient processes across all business lines, particularly in product expansion and marketing, transaction volumes and service incomes have increased substantially.

Operating in a competitive environment, the Bank will continue to actively market treasury products in line with customer needs and demands and to sustain steady growth in its customer base and transaction volumes in 2015.

16.8

TL BILLION

VakıfBank's demand deposits rose by 22.9% during the year, from TL 13.7 billion to a total of TL 16.8 billion.

REVIEW OF OPERATIONS IN 2014

VakıfBank Investment Banking provides brokerage services to customers for their capital markets transactions in stocks, mutual funds, gold and VakıfBank-issued debt securities.

6.2%

VakıfBank holds a 6.2% market share in mutual funds as of 2014, with total assets under management (AUM) of TL 2 billion.

INVESTMENT BANKING

In the ever-evolving and volatile world of capital markets, maintaining a competitive edge against the global markets remained as challenging as ever in 2014. With a prominent position in the banking industry, VakıfBank formulates business strategies that are focused on investing customer assets in the best way to generate optimal results, developing customized solutions, and attaining greater expertise in the use of advanced investment techniques. As a result, VakıfBank is a highly-valued business partner in money and capital markets for retail and corporate customers.

BROKERAGE SERVICES FOR CAPITAL MARKETS INSTRUMENTS

VakıfBank Investment Banking provides brokerage services to customers for their capital markets transactions in stocks, mutual funds, gold and VakıfBank-issued debt securities. Developments in the markets are closely monitored according to customer needs and expectations, and new products and services are delivered to customers through various channels.

All capital markets transactions other than equities can be performed through any of the Bank's branches, investment centers, private banking branches, ATMs, mobile banking, internet banking, and call centers. Equity transactions can only be placed through investment centers, private banking branches, mobile banking, internet banking, and call centers. The systems infrastructure required for increasing the share of alternative distribution channels in equity trading has been completed, and mobile banking transactions will be available in 2015 through mobile applications developed exclusively for investment products.

In addition, through an agency agreement with its subsidiary Vakıf Yatırım Menkul Değerler A.Ş., the Bank acts as an intermediary in public offerings of equities and corporate bonds, capital increases and dividend payment transactions.

VAKIFBANK-ISSUED DEBT SECURITIES

In an attempt to diversify the Bank's funding sources, reduce interest rate risk, contribute to liquidity management, increase the average maturity of liabilities, and provide additional resources, VakıfBank obtained authorization from the Capital Markets Board to issue a total nominal value of TL 8 billion in bank bonds and bills of various types and maturities in domestic and international markets. In 2014, the Bank issued 20 bank bonds with a total nominal value of TL 5.8 billion, solidifying its leading position in the sector. VakıfBank bonds are presented to corporate and retail investors as an alternative investment instrument.

MUTUAL FUNDS

With its founder status, VakıfBank currently offers 11 mutual funds, two Type A and nine Type B, to investors in accordance with their individual risk profiles and return expectations. The mutual funds can be traded without any volume limitation through all branches, investment centers and alternative distribution channels such as internet banking, call centers, ATMs and mobile banking.

Under the administration of expert portfolio managers with strategies tailored to meet the needs of its customers, VakıfBank holds a 6.2% market share in mutual funds as of 2014, with total assets under management (AUM) of TL 2 billion.

GOLD BANKING AND GOLD DAYS

As one of the first banks to launch gold banking, VakıfBank makes its 25 years of experience in this segment available to customers through its branches as well as alternative channels.

VakıfBank's gold trading volume reached nearly 68 tons in 2014, with a gold reserve volume of 10.8 tons.

As part of VakıfBank Gold Days, initiated in early 2013 and held every Wednesday, Cumhuriyet gold coins in quarters and halves as well as all-carat gold jewelry including bracelets, rings, and necklaces are assessed by gold experts and corresponding amounts are deposited into customers' Golden Era Accounts in grams of gold. Gold Days were organized at 609 branches in 2014 and VakıfBank will expand this initiative to more branches in 2015.

FOREIGN TRADE AND CORRESPONDENT BANKING

MOST ACTIVE TURKISH BANK IN INTERNATIONAL MARKETS

VakıfBank has always been one of the leading Turkish banks in international banking. The Bank has maintained its position as the most active Turkish bank in international markets in 2014 through its Eurobond and private placement issuances under the Global Medium-Term Notes program along with syndicated loans, securitization loans, and other long-term and low-cost facilities from a variety of sources.

BROADER INVESTOR BASE

While tapping new funding sources in different currencies at various maturities, VakıfBank also expanded its investor base with new structured finance products. By increasing the maturity of its sources in this manner, VakıfBank remains an important contributor to the Turkish economy and a dedicated supporter of the real sector through long-term and cost-effective facilities.

TURKEY'S FIRST EVER EURO-DENOMINATED EUROBOND ISSUANCE

As the first bank to establish the Global Medium Term Notes (GMTN) program in Turkey, VakıfBank also issued the first ever euro-denominated corporate Eurobond of Turkey in a five-year, € 500 million placement with a yield of 3.65% and coupon rate of 3.5% as part of the GMTN program. The issuance drew a record investor demand of € 5.3 billion. It is also a record in terms of the number of investors submitting bids: more than 450 institutional investors including central banks. Strong investor demand lowered the yield by 35 basis points, to 3.65%, from the initial pricing yield of 4.00% with a 3.50% coupon rate.

STRONG INTEREST FROM ASIAN INVESTORS FOR PRIVATE PLACEMENT BOND ISSUANCES

The Bank issued 106 private placements to 12 separate banks since June 2013 as part of the Global Medium-Term Notes program. These private placement transactions amounting to an equivalent of US\$ 2.68 million were in various currencies (US dollars, euros and Swiss francs) and maturities (three months, six months, one year and two years). The vast majority of these placements were made to Asian investors who are investing in Turkey for the first time.

100% ROLLOVER OF SYNDICATED LOANS

In April 2014, VakıfBank secured a one-year US\$ 995 million syndicated loan consisting two tranches of US\$ 270.5 million and € 525 million with the participation of 35 banks. The total cost of the loan secured for the purpose of foreign trade financing was Libor/Euribor + 0.90%. In the second half of 2014, with the participation of 26 banks, the Bank secured another one-year syndicated loan facility of US\$ 850 million structured in two tranches of US\$ 168.5 million and € 528.75 million with a total cost of Libor/Euribor + 0.90%. With these transactions, the Bank obtained a total of US\$ 1.85 billion in syndicated loans in 2014.

SECURITIZATION LOAN IN SEVEN TRANCHES

VakıfBank obtained a US\$ 928.6 million securitization loan in euro and US dollar currencies backed by future cash flows from treasury financing transaction as well as other required transactions within the Diversified Payment Rights securitization program. The loan facility consists of seven separate tranches, US\$ 500 million of which has a maturity of five years and US\$ 428.6 million with a maturity of seven years.

Some 75% of the tranche amounting to US\$ 125 million, which was obtained from European Bank for Reconstruction and Development (EBRD), will be used for the Bank's medium-term lending, including loans that aim to support agribusiness operations of SMEs within the Turkey Agribusiness Financing Facility (TurAFF). Meanwhile the remaining 25% of the tranche will be used for women-led businesses as part of the Advice and Finance for Women in Business program.

Loans obtained from other banks will be used to fund project loans, as well as VakıfBank's medium and long term foreign-currency loans. As of year-end, VakıfBank's total securitization loan portfolio stood at US\$ 1,396.6 million. The Bank contributes to Turkey's sustainable growth by making its securitization loans with maturities up to 12 years available for the long-term financing of the real economy.

SUPPORTING THE REAL SECTOR WITH BILATERAL AGREEMENTS

VakıfBank continues to collaborate with the European Investment Bank (EIB), the World Bank and the European Bank for Reconstruction and Development (EBRD) to provide long-term, low-cost funding to the real economy. In 2013, the SME Energy Efficiency Project agreement was signed with the World Bank. Under the project, US\$ 67 million was allocated to VakıfBank. The first tranche amounting to US\$ 15 million was disbursed to the Bank in 2014 to fund the energy efficiency projects of SMEs operating in Turkey.

An additional limit of € 25 million to € 50 million granted from the European Investment Bank within the Greater Anatolia Guarantee Facility (GAGF-II) project in 2011 was disbursed in 2013. The € 25 million additional limit was used exclusively to fund SMEs active in regions prioritized for development. The first tranche of the € 50 million (GAGF-II) loan in the amount of € 25 million was released to the Bank as of year-end 2014. In 2013, the European Investment Bank (EIB) also allocated € 200 million to the Bank to be lent to municipalities and their enterprises in Turkey. The first tranche, amounting to a US\$ 67.8 million (€ 50 million) facility, was disbursed to the Bank in 2014 and is available to finance infrastructure investments of municipalities and their enterprises in Turkey.

1,396.6
US\$ MILLION

VakıfBank's total securitization loan portfolio stands at US\$1,396.6 million.

REVIEW OF OPERATIONS IN 2014

During 2014, VakıfBank regularly provided information about the Bank and its operations to investors and securities firms.

1,614

CORRESPONDENT
BANKS

VakıfBank's robust correspondent bank network is comprised of 1,614 banks and financial institutions in 117 countries across the world.

The € 200 million facility obtained under the Small and Medium-sized Enterprises Project, signed with the EIB in 2012, was used up within just one year. Subsequently, the Bank began working on developing a new loan facility with similar features from the EIB. On November 7, 2014, the Bank signed the € 100 million (US\$ 123.9 million) Small and Medium-sized Enterprises Project II with the EIB. The entire facility was released to the Bank on December 29, 2014.

DIVERSIFIED FUNDING ALTERNATIVES

In order to evaluate the opportunities offered by different funding alternatives in overseas capital markets, VakıfBank applied for authorizations from official bodies to issue covered bonds, which have long been used in developed markets, particularly in Europe, as a funding source and is recognized in the Communiqué on Mortgage-Backed Securities (MBS) published by the Capital Markets Board (CMB) in 2007. As one of the leading banks for mortgage loans, VakıfBank aims to tap a different investor base with this new instrument and bolster its name recognition in international capital markets.

ONGOING LOAN RELATIONSHIP WITH KfW

Following long negotiations and due diligence meetings, VakıfBank has begun working with the KfW for the first time. The KfW allocated a € 100 million facility to VakıfBank to be used in financing micro, small and medium-size companies operating in Turkey. The loan facility, which is extended under the guarantee of the Turkish Treasury, has a three-year grace period and a maturity of 10 years. This facility was disbursed in its entirety in 2014 to fund SMEs in Turkey. The Bank is continuing its efforts to obtain new funding for SMEs from the KfW.

FOREIGN TRADE AND CORRESPONDENT BANKS

VakıfBank's robust correspondent bank network, comprised of 1,614 banks and financial institutions in 117 countries across the world. The network is managed in line with the principles of mutual trust, collaboration, and transparency by a dynamic team specialized in CRM focused on creating fast and alternative solutions for their customers. This network continues to expand by the day with the establishment of new relationships. Following the agreements signed with the EBRD and the International Finance Corporation (IFC) to develop foreign trade, VakıfBank acts as an intermediary for export letters of credit and guarantees from the banks supported in the program under the umbrella of these institutions. Thanks to its extensive network of correspondent banks as well as its lines of credit, VakıfBank continues to support funding for foreign trade transactions and remains one of the most preferred banks in this segment.

VAKIFBANK'S INTERNATIONAL ORGANIZATION

VakifBank International AG

VakifBank International AG, headquartered in Vienna, was established in 1999 in line with VakifBank's plans to expand overseas and conduct international banking operations. VakifBank International AG has branches in Vienna, Frankfurt and Cologne.

New York Branch

The New York Branch was established in 1995 to better exploit opportunities in international financial markets and to provide more comprehensive solutions to customers in foreign trade.

Bahrain Branch

The Bahrain Branch was established in 2005 to finance foreign trade transactions, which continue to expand due to the soaring business volume between Turkey and the Gulf Region, and to fund projects planned in this region.

Arbil Branch

Pioneering the banking industry once again, VakifBank secured its place among the first Turkish banks that have opened branches in Northern Iraq. The Bank's aim is to support the commercial and economic collaboration between Turkey and Iraq and to back Turkish entrepreneurs who make investments in the region. The Arbil Branch commenced operation in February 2011.

EFFECTIVE COMMUNICATION WITH INVESTORS

During 2014, VakifBank regularly provided information about its corporate affairs and operations to investors and securities firms.

In 2014, the Investor Relations Department:

- Attended 20 local and international investor conferences, and held face-to-face meetings with approximately 650 international investors and domestic institutional investors.
- Held more than 225 meetings at the Bank's Istanbul office, and met with approximately 400 investors/analysts.
- Organized four teleconferences to assess the results of financial statements, and published the records of these teleconferences on the Bank's English-language website.
- Held regular annual assessment meeting with four credit rating agencies (Fitch, Moody's, S&P, and Capital Intelligence).
- Remained in close contact with numerous equity analysts issuing reports about VakifBank and provided timely and accurate input during the preparatory stages of the reports. Feedback on these reports was communicated to the analysts.
- Continuously updated the English version of the Bank's website and provided convenience English translations for material event disclosures published on the Public Disclosure Platform, allowing all stakeholders and shareholders to remain informed in an accurate and up-to-date manner.

- Reviewed all regulations relating to the duties of the Investor Relations Department and its business lines in order to ensure full compliance with the Corporate Governance Communiqué (Serial II, No. 17.1) published on January 3, 2014 in the Official Gazette numbered 28871. Responsibility for tasks and duties such as relations with shareholders, the Bank's Investor Relations website in Turkish and English, material event disclosures and particularly the process of the General Assembly were transferred from Head Office departments to the Investor Relations Department. The Investor Relations Department has been in full compliance with the Investor Relations Unit article amended in Article 11 of the Corporate Governance Communiqué (Serial II, No. 17.1).
- Organized and held the 60th Ordinary General Assembly Meeting and the Extraordinary General Assembly meeting as stipulated by the Banking Law, the Capital Markets Law, the Corporate Governance Communiqué, the Articles of Incorporation, and other related legislation.
- Carried out the duties of the "Sustainability Working Group" operating under the Corporate Management Committee, so as to coordinate all projects related to sustainability; arranged meetings on sustainability; and determined the agenda topics and steps to be taken.
- Identified and prioritized steps to be taken by communicating with EIRIS, the group selected by the BIST to assess companies' sustainability projects, and exchanged opinions about the reports written on the Bank by EIRIS.
- Revised all policy documents related to bribery and corruption, profit distribution, donations and relief, employee rights, and the environment in order to fully participate in the BIST Sustainability Index according to the content stipulations defined by the index; these were presented to the Board of Directors for approval.

VAKIFBANK BECAME ONE OF TWO MOST-ADMIRED BANKS FOR INVESTOR RELATIONS

In 2014, VakifBank became one of the five most-admired companies and two most-admired banks in the field of investor relations in Turkey, according to the Extel Pan-European Investor Relations Survey organized by Thomson Reuters in order to encourage and promote excellence in investor relations. The results of the voting by foreign institutional investors were announced to the public by the Turkish Investor Relations Association (TÜYİD).

VAKIFBANK LAUNCHED THE FIRST INVESTOR RELATIONS APPLICATION PROJECT IN TURKEY

Breaking new ground in 2014, VakifBank became the first Turkish bank to launch an investor relations application called the "VakifBank IR App" developed for foreign investors. The application was rolled out for iPhone and iPad users. The most frequently visited interfaces from the English language investor relations site were transferred to iOS-compatible devices with a user-friendly design. The application was downloaded by 2,354 users in 2014, and can be accessed via tablets and smart phones.

2,354

APP USERS

VakifBank's Investor Relations Application was downloaded on tablets and smart phones by 2,354 users in 2014.

REVIEW OF OPERATIONS IN 2014

19%

GROWTH

VakıfBank Worldcard turnover grew by 19%, easily outpacing the sector average of 12%.

PAYMENT SYSTEMS

Focusing on customer satisfaction in its payment systems, VakıfBank continued to grow its market share steadily in credit cards by enhancing its products with value-added services through the “Generous Card That Understands Shopping” concept in 2014.

VakıfBank easily outpaced the average sector growth of 12% in credit cards as VakıfBank Worldcard registered 19% YoY increase in turnover, to TL 21.2 billion in 2014. Worldcard’s transaction volume growth was nearly four times that of the overall sector, rising to more than 162 million transactions annually.

The brand is positioned as a generous card with customer-oriented solutions that meets the basic needs of customers. While the redefined credit cards and VakıfBank Worldcard meet the general needs of customers at world-class standards, the Bank has pursued a policy aimed at adopting new technologies and expanding its co-branding and loyalty programs with cards that appeal to different groups and enterprises. As a

result of this approach, the Bank has been enjoying steady market share growth in the credit cards segment.

VakıfBank’s rich portfolio of credit cards includes:

- MilPlus Classic and MilPlus Platinum Exclusive offering features for high-income individuals focused on travel,
- VakıfBank Platinum, equipped with special services designed for high-income individuals,
- Rail&Miles, for those who prefer to travel by train,
- Beşiktaş, Fenerbahçe, Galatasaray, Trabzonspor, Gaziantepspor and Diyarbakırspor Team Credit Cards, for sports fans who want to support their favorite teams,
- Öğretmenim, ASESEN and KAMUSEN credit cards, designed to meet the needs of specific professional groups,
- VakıfBank BusinessCard, to meet the needs of commercial enterprises,
- Like Card and Campus Card, designed for university students and intended for the youth segment, providing campaign-based advantages,
- Prepaid Social Assistance Card for social institutions,
- Tercih Card for customers who do not want to pay annual credit card fees.

Credit Cards	2010	Market Share	2011	Market Share	2012	Market Share	2013	Market Share	2014	Market Share
Credit Card Debt Receivables (TL million)	1,387	3.18%	1,850	3.33%	2,639	3.69%	3,256	3.92%	3,129	4.22%
Credit Card Turnover (TL million)	7,096	3.03%	9,671	3.33%	13,699	3.79%	17,802	4.20%	21,208	4.47%
Number of Credit Cards	2,398,943	5.11%	2,626,880	5.11%	2,768,491	5.09%	2,985,056	5.25%	3,178,033	5.57%



VakıfBank Classic and Gold credit cards are available for customer groups not included in the above segments. VakıfBank credit card holders can benefit from all opportunities offered both in VakıfBank and in World member firms. In addition, the Bank offers additional benefits for customers through special projects and campaigns.

Closely following developments in the marketplace, VakıfBank enhanced its cards with the contactless feature. This new feature has made it much easier for customers to make small amount payments.

EXCLUSIVE SERVICES FOR PLATINUM CARDHOLDERS

VakıfBank Platinum Credit Cards, offered to high-income customers, were equipped with features designed to meet the unique needs of these cardholders in 2014. To make domestic and overseas trips more comfortable and enjoyable, cardholders are provided with the opportunity to enjoy the free use of the passenger lounges at the domestic and international terminals at Sabiha Gökçen Airport in Istanbul, and Esenboğa Airport in Ankara.

In addition, VakıfBank Platinum cardholders can enjoy Rail&Miles CIP Lounges in the Ankara, Eskişehir, and Konya rail terminals.

Free overseas travel insurance coverage from Güneş Sigorta is also provided to customers who are traveling abroad. Another benefit for cardholders is the opportunity to use the luxurious VIP transfer service to or from the airport.

In addition to these travel services, more practical services were unveiled for Platinum cardholders, including discounts at dry cleaners, transportation providers, gift shops, and selected restaurants.

EASIER TRAVELING WITH THE VAKIFBANK MILPLUS CARD

Designed to appeal to frequent travelers, the MilPlus Card Program provides exclusive benefits for VakıfBank customers who travel extensively.

Customers with Worldpoints balances, earned by making purchases or participating in campaigns, can use them at twice their value while purchasing flight tickets with the MilPlus Classic Card. If they do not have enough points for the purchase, they are still able to use two times the value with Avans Puan (Advance Points) to quickly get the tickets they want. MilPlus Platinum Card holders can use their Worldpoints at three times their value in flight ticket purchases. Meanwhile, BusinessCard owners can benefit from the MilPlus Travel Program and use their points at twice their value in flight ticket purchases.

Cardholders can also benefit from special promotions when purchasing flight tickets during the regular campaigns. In one established campaign, cardholders have the opportunity to purchase round-trip tickets to domestic locations for TL 99, to Europe for TL 169, and to other parts of the world for TL 399, using Worldpoint options.

4.22%
MARKET SHARE

VakıfBank's market share in credit card debt receivables stood at 4.22% in 2014.

REVIEW OF OPERATIONS IN 2014

Closely following developments in the marketplace, VakıfBank enhanced its cards with the contactless feature. This new feature has made it much easier for customers to make small amount payments.

VakıfBank offered exclusive opportunities to specific customer segments through co-branded products in 2014.

CO-BRANDED CARDS

Exclusive opportunities were offered to specific customer segments through co-branded products in 2014.

Annual credit card fees are not applicable for the Şişli and Üsküdar Credit Cards offered to residents of Şişli and Üsküdar along with the Öğretmenim, ASES, and Kamu-Sen Credit Cards that are offered to specific professional groups. The cards operated in agreement with these and similar institutions are mostly regarded as social projects, and a certain percentage of the purchases made with these cards are donated to the organization's aid pool, the assistance campaign, or the relevant union.

Şişli and Üsküdar Credit Cards offer discounts at member businesses determined by Şişli and Üsküdar Municipalities and provide up to five installments for tax and fee payments. In addition, cardholders can support social responsibility projects without any extra cost; the donated funds are transferred to Şişli and Üsküdar Municipalities' social assistance pool as the cards are used.

ASES – a special card for occupational groups – is a unique product provided only for the members of the Police Care Fund, TCDD Foundation, and Elementary School Teachers' Health Care and Social Assistance Fund. In addition to the services offered with the other cards, discounts are provided from affiliated merchants with this card.

CREDIT CARD FOR YOUNG PEOPLE: THE LIKE CARD

In 2014, VakıfBank continued to market its Like Card, designed exclusively for university students.

Like Card holders earn Likepoints in addition to Worldpoints, and can use their Likepoints for the campaigns on www.likecard.com.tr to win prizes such as Mini Coopers, iPhones, or iPads.

Cardholders who make online purchases of at least TL 75 earn 10% of the purchase as Worldpoints, while cardholders celebrating their academic success and shopping during the week before their birthdays are awarded with extra Likepoints.

Interest-free/free-of-charge three-month installments are offered for the fees of the university students attending secondary education programs while three-month installments free-of-charge are provided for Like Card holders' spending on special events.

VAKIFBANK FAN CARDS

In an effort to appeal to sports fans, VakıfBank is the only bank that provides opportunities for six separate football clubs under one program. The Bank provides an exclusive credit card for the fans of the four biggest football clubs Beşiktaş, Fenerbahçe, Galatasaray, and Trabzonspor- as well as for two additional teams from Anatolia, Gaziantepspor and Diyarbakırspor. In line with specific agreements made with each team, a portion of the monthly card transactions is transferred to the clubs.

On top of the World and VakıfBank campaigns organized for Fan Card customers, additional campaigns to encourage card usage habits were conducted in 2014. These special campaigns included gift tickets, jerseys and licensed products, season ticket sales for specific teams, discounts at team fan shops, gift Worldpoints, and new installment plans.

PRE-PAID SOCIAL ASSISTANCE CARDS

VakıfBank continued to grow in prepaid and social assistance cards in 2014. Joint projects were launched in partnership with the Kocaeli Metropolitan Municipality, Samsun İlkadım, the Konya Metropolitan Municipality, and the Konya Karatay and the Kadirli Municipalities.

In addition to the existing Social Assistance Card projects, the Bank began to cooperate with the Tekirdağ Süleymanpaşa Municipality, Üsküdar Municipality, the Elazığ Governor's Office, Pendik Municipality, and the Istanbul Metropolitan Municipality. Some 40,000 new cards were issued in 2014 across these projects while the Bank provided support for social assistance projects through a total of 120,000 cards.

DEBIT CARDS

With its considerable market share in debit cards, VakıfBank raised customer satisfaction with campaigns related to these products, and continued to implement efforts to increase the usage of debit cards in shopping as well as for cash withdrawals.

The first phase of the infrastructure improvements carried out to provide better service to customers was completed in 2014; the second phase is expected to be finalized in 2015. These improvements will enable the Bank to conduct more marketing activities to increase turnover and the number of cards in circulation as well as a wider variety of campaigns to attain these outcomes. The systems improvements will also empower customers to earn points in shopping, authorize cards, determine card limits, and shop online.

Total shopping turnover of debit cards increased 26% YoY, to TL 2,071 million in 2014, while the market share in shopping turnover stood at 7%. Total annual turnover of debit cards was up 5.78% in 2014.

VakıfBank ranks third in the sector with 10.02 million debit cards issued.

GROWTH OF BUSINESS CARDS CONTINUED IN 2014

The Bank maximized customer satisfaction by adding product features, services and campaigns to VakıfBank BusinessCard, which is intended for existing and new loan customers in the corporate, commercial and especially SME segments.

Segmentation efforts have been initiated in line with the growing commercial card portfolio, as the Bank is working to develop new products which appeal to specific segments and customer groups.

BusinessCard turnover continued to grow in 2014 and soared 40%, while the number of cards in circulation was up by 20%. BusinessCard loan receivables increased 13% during the period. VakıfBank's market share in business card turnover inched up 0.17 percentage points to 7.63%, ranking the Bank at sixth place in the market.

TERCİH CARD WITH NO CARD FEES

VakıfBank launched the Tercih Card product in 2014 for customers who are fee-sensitive and do not want to pay annual card fees.

With the Tercih Card, customers pay only for the features and campaigns they choose to use, and are exempted from annual card fees. Tercih Card holders can benefit from basic World advantages such as Worldpoints earned at VakıfBank and World merchants or complimentary installments. Special campaigns for additional installments, deferrals, Worldpoints, and discount campaigns, as well as other services, are provided for VakıfBank credit card holders in exchange for specified fees.

10.02

MILLION UNITS

VakıfBank ranked third in the sector with 10.02 million debit cards in circulation in 2014.

REVIEW OF OPERATIONS IN 2014

In addition, VakıfBank offered discounts, installments, points, and advantages to help merchant customers procure POS cash registers.

135,576

MERCHANT MEMBERS

VakıfBank's merchant network expanded to 135,576 members as of year-end 2014.

NEW DEVELOPMENTS IN MERCHANT SERVICES

Member Merchants	2010	Market Share	2011	Market Share	2012	Market Share	2013	Market Share	2014	Market Share
Number of POS Devices	73,871	4.05%	81,625	4.13%	104,776	4.91%	130,215	5.68%	150,668	6.31%
Member Merchants Turnover (TL million)	8,272	3.50%	12,070	4.11%	16,563	4.53%	21,447	5.01%	26,660	5.55%

VakıfBank merchant network expanded to 135,576 members as of year-end 2014. The Bank's merchant turnover increased 24% year-on-year; with a market share of 5.55%, the Bank ranks eighth among banks that offer merchant services. The overall merchant services market generated TL 480.3 billion in turnover, up 11% YoY.

In 2014, the Bank carried out new generation applications and campaigns to increase the scope, turnover and efficiency of its merchant network.

TRANSITION TO CASH REGISTER POS DEVICES

The Bank made the necessary changes for businesses that are required to use new generation POS cash registers pursuant to new regulations; as a result, VakıfBank's applications were made compatible with TÜBİTAK-approved new generation payment recording devices. In addition, VakıfBank offered discounts, installments, points, and advantages to help merchant customers procure POS cash registers.

V-POS RENEWED

In order to provide more dynamic, faster, and more secure service, and to meet all the demands of merchants in line with changing customer needs and advances in technology, improvements to the Bank's Virtual POS infrastructure have been completed, and new V-POS product commenced operation at pilot merchants.

VAKIFBANK POS AVAILABLE AT MORE LOCATIONS NOW THROUGH AMERICAN EXPRESS PRIVILEGES

The American Express Card Acceptance Service, offered by a limited number of banks in Turkey, including VakıfBank, is available at more retail locations thanks to VakıfBank's expanding merchant network.

DISTRIBUTION CHANNELS

The Bank realigned its organizational structure and restructured its Telephone and Internet Banking Department under two distinct units, Internet Banking Department and Call Center Department. This restructuring was made because the range of alternative distribution channels for banking transactions has recently increased and this trend is expected to continue in the near future. This represents a more effective structure in line with the Bank's growth and development strategies in these segments.

INTERNET BANKING

The Internet Banking login procedure was simplified and customer security was strengthened in 2014 with the introduction of the online confirmation product "Cep imza (Mobile Signature)", a first in the sector. Internet Banking was enhanced with the addition of new transactions while processes were simplified for a more user-friendly customer experience.

As a result of these improvements in products and services, efficiency increases in sales through these channels were recorded, and the number of active customers was up 48% in 2014, much higher than the 27% growth attained in 2013.

Corporate Internet Banking will also commence service in 2015 with a flexible authorization structure and a simple business flow to encourage customer use.

MOBILE BANKING

The mobile banking application was rolled out to customers in May 2013 under the guiding design principles of simplicity, user-friendliness, and security. Within the short period of time between the launch and year-end, the Bank surpassed its targets in terms of number of active mobile app customers.

TELEPHONE BANKING

Upgrading of the Call Center systems infrastructure was completed in 2014. The Call Center became more capable of planning services for customers as a result of this project.

VakifBank also carried out a number of human resources initiatives in 2014 to deliver better and faster service to customers. The number of customer representatives was boosted while an increase in service quality was recorded thanks to improvements made as a result of customer satisfaction feedback. The Bank intends to add to its customer representatives at the Call Center in 2015 in order to increase the call reception rate.

The Call Center Guidance System will be simplified and made more user-friendly for a better customer experience in 2015.

ATM

The Bank also continued to modernize and expand its ATM network over the course of the year. The total number of ATMs deployed rose to 3,197 in 2014, up 9.52% YoY.

The primary driver of this upgrade project is to replace non-cash deposit ATMs with cash deposit ATMs.

Approximately 169 million financial transactions were carried out through VakifBank ATMs in 2014. The number of cash withdrawal and cash deposit transactions performed at VakifBank ATMs increased 10% and 17% YoY, respectively.

The cabin and facade designs of our ATMs were refreshed, and the outer dressings of the front-of-branch and out-of-branch ATMs were remodeled to fit the new concept.

In addition, improvements were made in ATM installation operations and processes, which served to minimize the responsibilities and operational burden of branches in ATM installments.

The outsourcing of cash loading for out-of-branch ATMs across Turkey was also expanded; 60% of out-of-branch ATMs are now serviced under this method.

Efforts to completely overhaul the ATM software infrastructure and implement a single program for ATM parks were also continued in 2014.

The Bank also started projects designed to enable centralized surveillance of out-of-branch ATMs and components, including air conditioners, UPS, and communication devices, thereby improving the management of these facilities.

9.52%

GROWTH

The total number of ATMs rose to 3,197 in 2014 up 9.52% YoY.

REVIEW OF OPERATIONS IN 2014

As part of the Transformation Program, numerous new projects that will differentiate the Bank in such areas as sales and marketing capabilities, CRM, Dynamic Pricing, and Campaign Management were carried out.

VakıfBank is now equipped with a stronger and more secure systems infrastructure that enables monitoring of and faster and more efficient solutions to technical problems.

INFORMATION TECHNOLOGY

The Information Technologies Department continued to provide consultancy services to VakıfBank's subsidiaries in the areas of systems infrastructure, software development, systems management, security management, software maintenance, office hardware and applications, and investment and project management services in 2014. As part of projects carried out in line with COBIT, ISO, and PMI standards, the Bank aimed to develop faster applications and products using state-of-the-art technology, and to create systems accommodating the sector's evolving needs and business processes. These initiatives were also undertaken to provide 24/7 banking services for customers, to lower system costs, to enable video and data transfer, to ensure a strong communication backbone, and to increase overall efficiency.

ACTIVITIES IN 2014

VIT PROGRAM

The Bank is in the final stages of its VIT (VakıfBank Innovative Transformation) Program, which includes the transformation of the Bank's core banking applications, as well as the entire banking IT infrastructure. As part of this program, banking software that is better-suited to the Bank's strategies was adopted, and a competitive edge was developed by accelerating the product development and sales processes. Business development and management also became easier as a result of more efficient and consistent reporting. The IT infrastructure was upgraded in a manner that could support a marketing-oriented upper structure, and the Bank is now equipped with a stronger and more secure systems infrastructure that enables monitoring of and faster and more efficient solutions to technical problems.

As part of the Transformation Program, numerous new projects that will differentiate the Bank in such areas as sales and marketing capabilities, CRM, Dynamic Pricing, and Campaign Management were carried out.

VIT Projects completed in 2014 include:

VIT-Securities Transactions Project: By restructuring all of the Bank's securities transactions to meet the changing needs of customers, a more flexible and parametric structure was established that encompasses all of the functions of the current system and enables improvements tailored to diverse needs.

VIT-Treasury Transactions Project: New banking software was developed to support the Bank's strategies for dealing with treasury transactions, allowing for the acceleration of product development and sales processes.

VIT-Deposits Project (Phase I): The development of a deposit module was also completed within the VIT program.

VIT ANA BANKACILIK YAZILIMI



VIT-Bill Transactions Project: The development of a basic banking infrastructure and bill operations was completed as part of this project.

VIT-Campaign Management Project: With this project, the Bank's Retail Sales and Marketing teams are able to present campaigns to target customers identified according to various criteria through the e-mail channels of branch, internet, call center, ATM, SMS, and e-mail. The project made it possible to obtain and monitor feedback on campaigns from customers and branches.

VIT-Integration of Credit Cards Project: By using state-of-the-art infrastructure technology, the Bank's systems were integrated with the Credit Card System, which enabled modular, customer-oriented, and robust reporting designed to easily solve emerging issues.

VIT-Corporate Internet Banking Project: Within this project, corporate internet banking was separated from retail internet banking, making it possible to see current risks of corporate customers through the WebSubem online access portal, and to keep transaction and account authorization user-based. This project has also made it possible to determine sub-user authorization and limits by branch upon a main-user institution's request, and to keep transaction limits user-based.

VIT-Integration of Internet Banking: The Bank's existing internet banking system was also integrated with the VIT infrastructure, making all banking applications and communications part of the VIT structure. Internet customer recognition screens at branches were renewed as per VIT screen standards.

VIT-Collateral Project: Operational burdens and risks to the Bank were reduced with this project, and a competitive edge was gained by accelerating product development and sales processes.

VIT-SME Scorecard Application Project: The Bank's existing SME Scorecard portal was redesigned according to the new VIT project, and the portal was equipped with a dynamic structure suited to current and changing market conditions.

VIT-Debit Card Management System: This project enabled the transfer of the debit card management system out of the banking system; the diversion of all transactions with cards to this system following relevant checks on the card; the preparation of debit card management screens under the VIT infrastructure; the transfer of active debit card portfolios to the new debit card management system; and the retaining and recording of past data about renewed cards that had been closed, canceled, or stolen.

VIT-SWIFT Project: Following the reorganization and improvement on the related infrastructure, this project made it possible to have a competitive edge in the sector by accelerating product development and sales processes related to foreign transactions. The project enabled the IT infrastructure to support a marketing-oriented upper structure, and as a result managed to increase customer satisfaction.

VIT-Foreign Operations-Vostro Nostro Accounts Projects: With the Vostro-Nostro module in operation, product development and sales processes were accelerated.

VIT-Legal Proceedings Project: Collateral and Non-Cash Loans were integrated as part of the Bank's VIT infrastructure and Legal Proceedings System, which was established with this project.

VIT-Target Performance Management Project: Through this initiative, a flexible structure was established in line with the Bank's broader strategies to support the identification of portfolio targets and the design of a new structure to be used for measuring performance. It also facilitated the identification of new structural targets based on product portfolios, performance evaluations at regular intervals, the follow-up of employee-instant target proximity, and the identification of campaign-oriented targets for employees.

VIT-Auditing and Reporting Project: With this project, it is now possible to carry out auditing, inquiry, and reporting processes through a single platform.

VIT-Integration of Call Center: Through this initiative, the Bank's existing call center system was integrated with the basic banking modules already part of the VIT infrastructure. The call center was enabled to work as part of the channel management module.

VIT-Encaisse Management Project: This project made it possible to monitor, control, and make live and retrospective queries about branches and central pay desk safes, and to query Turkish lira safes at depots, central pay desks, and branches.

VIT-Safe-Deposit Box Project: This project enabled the identification and monitoring of safe-deposit boxes in safe rental transactions, the rental and updating of safe-deposit boxes, and customer visits. It has allowed for easier and quicker notifications and reporting, and the improvement of transactions such as expense and exemption checks.

VIT-System Infrastructure-Data Transformation: In consideration of filtering, transition and other requirements, banking data on the existing database were transferred onto the VIT database in line with the new data model.

REVIEW OF OPERATIONS IN 2014

Prepared as part of the “Compassionate Bank” concept, ongoing for several years now, a new video commercial was shot to promote the Bank’s “Every Corner of the Country (Yöre Yöre, Bucak Bucak)” initiative, which emphasizes the Bank’s ability to provide solutions for customers’ diverse demands.

Construction of the passive infrastructure of the Bank’s new Istanbul Data Center commenced in 2014 and is ongoing.

VAKIFBANK COMPLETED THE FOLLOWING NON-VIT PROJECTS IN 2014:

Apart from the VIT projects, the following IT projects were implemented to take the services provided to the Bank customers to a higher level:

- Mobile Banking Application
- Futures and Options Market Operations
- CRM 720 Degrees Customer Outlook
- Debit Card Management System
- Centralization of Confiscation Operations
- New Virtual POS Application
- Decision Support System for Credit Cards
- SME Score and Commercial Score Card Application
- Payment Recording Device Application
- Takasbank Electronic Fund Distribution Platform Operations
- Mobile Banking Application for iOS and ANDROID devices
- iPad Application for On-Site Credit Card Applications
- Covered Bond Project
- E-Receipt and E-Book Integration
- Physical Archive Center Application

IT INFRASTRUCTURE WORK

Construction of the passive infrastructure of the Bank’s new Istanbul Data Center commenced in 2014 and is ongoing. Preparations for the construction of the active infrastructure (server, storing, network, and security devices) were also finalized. After the infrastructure work is completed, all of the Bank’s IT services will begin to be moved into the new data center.

After the Istanbul data center is put into operation, construction and renovation work at the Ankara data center will commence, and the Bank will be able to rely on an infrastructure with two active full back-up centers.

In 2014, the Bank initiated efforts to equip its facilities, including the Head Office, branches and ATMs, with high-capacity, continuous communication infrastructures:

- A transfer to fiber optic infrastructure for branches was completed, and a project to broaden the field network for off-site ATMs via 3G technology was initiated.
- New cabinets were put into use to provide a standard and solid infrastructure for systems rooms located in branches and other units.
- A project which envisions a corporate IP-based centralized phone network was completed at the Bank’s Head Office and across the branches.
- To increase capacity and upgrade the IT infrastructure, a new server and storage, network, security, and surveillance systems were put into operation.
- Meanwhile, efforts to establish a new generation disk-based back-up system are ongoing. All other planned maintenance activities continued throughout the year to ensure that existing systems and the overall infrastructure can operate in a compatible and healthy manner. All the requirements for compliance with security audits and PCI standards were met, and problems identified in the operation of the systems were solved and precautions were taken to improve the sustainability of the networks.

CORPORATE COMMUNICATION

VakifBank's constantly evolving corporate image and communications efforts continued effectively throughout 2014. In addition to the campaigns conducted throughout the year, the Bank's 60th anniversary became the focus of communication efforts, and long-term communications strategies became more sustainable. Thanks to initiatives in print, broadcast, online, and social media, VakifBank reached existing and potential customers effectively.

Various press meetings were held to announce cooperation agreements executed during the year. Among these, the funding of the TPAO Shah Deniz Project, the Turkish Exporters' Assembly agreement, the launch of the BIST Sustainability Index, and events to promote the syndicated loans obtained by VakifBank stood out as especially significant.

60 YEARS OF TRADITION

Prepared in order to promote banking services and products, below and above the line advertising campaigns were supported with news releases. In April, VakifBank's 60th anniversary was celebrated with both in-house events and advertising campaigns. With this goal in mind, a commercial video inspired by the stories and values of the foundation of the Bank emphasized the respect for the foundation culture and history of VakifBank, which is the cornerstone of its success.

Prepared as part of the "Compassionate Bank" concept, ongoing for several years now, a new commercial video was shot to promote the Bank's "Every Corner of the Country (Yöre Yöre, Bucak Bucak)" initiative, which emphasizes the Bank's ability to provide solutions for customers' diverse demands.

Awareness initiatives for the Like Card, which is exclusively designed for university students, were accelerated this year. In addition, communications efforts for the VakifBank Rail&Miles Credit Card, specifically designed for those who prefer to travel by train, were also intensified. Campaigns for the VakifBank Worldcard emphasized earning points and payment plans.

Retail Banking products were promoted to customers via various campaigns throughout the year and while related activities within the general strategy and communication concept were carried out. Commercial videos shot for VakifBank's Traditional Holiday Loans and the corporate image video managed to touch customers' hearts and became very popular. Communications efforts for retail loan products designed for specific events and holidays also continued at a rapid pace in 2014. In addition, when the Paid Exemption from Military Service Law was passed by the Parliament at the end of the year, activities related to advertising the Paid Military Service Exemption Loan were finalized and rolled out in a short period of time.

Along with commercial campaigns targeting existing and potential customers in the SME segment as well as the Agricultural Banking business line, which was launched in 2014, direct communications methods were also utilized. With below the line advertising, craftsmen and farmers were introduced to the Compassionate Banking products and services and intensive communication activities were conducted by attending numerous fairs.

Awareness initiatives for the Like Card, which is exclusively designed for university students, were accelerated this year.

CORPORATE SOCIAL RESPONSIBILITY

Having provided support to projects close to its communication, sponsorship, and social responsibility strategies in 2014, VakıfBank will continue assisting initiatives related to education, sports, culture, art, and finance, while taking pride in the contributions it makes to society.

VakıfBank was once again the main sponsor of the Women's National Volleyball Team in 2014.

In line with the reflection of the foundation heritage in its roots and its corporate motto of "Compassionate Bank", VakıfBank continued to carry out sponsorship programs and social responsibility projects in a variety of areas, from education and sports to cultural publications in 2014.

Fully supporting Turkish volleyball for 28 years, VakıfBank was once again the main sponsor of the Women's National Volleyball Team in 2014. Having won the European Champions' League for the first time in its history, Women's National Volleyball Team also participated in World Grand Prix and World Championship, and finished the 2015 European Championship Knock-Out Stage as the group leader.

VakıfBank Sports Club registered another major accomplishment by winning all titles in Turkey for the second straight year and playing in the final of the European Champions' League in 2014, title medal it had already won twice. Culture and arts activities were also supported in 2014, and VakıfBank continued to host artists and art enthusiasts at the Head Offices in Istanbul and Ankara. Moreover, Turkish Folk Music and Turkish Classical Music choruses comprised of Bank employees gave concerts and contributed in this special way.

Having provided support to projects close to its communication, sponsorship, and social responsibility strategies in 2014, VakıfBank will continue assisting initiatives related to education, sports, culture, art, and finance, while taking pride in the contributions it makes to society.



AFFILIATES AND SUBSIDIARIES

Along with its modern banking services, VakıfBank contributes to the Turkish economy through the activities of its subsidiaries in various sectors. The number of subsidiaries and affiliates remained at 23 in 2014, unchanged from 2013.

Along with its modern banking services, VakıfBank contributes to the Turkish economy through the activities of its subsidiaries in various sectors. The number of subsidiaries and affiliates remained at 23 in 2014, unchanged from 2013.

Fourteen of VakıfBank's subsidiaries operate in the financial services sector (five in banking, two in insurance and seven in other financial lines of business) while nine are non-financial subsidiaries (one in energy, two in tourism, one in manufacturing and five in other commercial companies).

The value of the Bank's subsidiary and affiliate portfolio increased to TL 1,737 million in 2014, up from TL 1,611 million in 2013.

VAKIFBANK FINANCIAL SERVICES GROUP

VAKIFBANK INTERNATIONAL AG

VakıfBank International AG was established in 1999 to grow VakıfBank's international operations in line with its strategy to expand abroad. VakıfBank controls a 90% stake in the company's capital of € 70 million.

WORLD IN LIQUIDATION VAKIF UBB LTD.

Founded in the Turkish Republic of Northern Cyprus with capital of US\$500,000 to serve as an international banking unit, an 82% stake amounting to US\$410,000 in World Vakıf UBB Ltd. belongs to VakıfBank. The company is currently in liquidation.

KIBRIS VAKIFLAR BANKASI LTD.

Established in 1982 in the Turkish Republic of Northern Cyprus by the Cyprus Administration for Foundations, it became a subsidiary in 1989. VakıfBank owns a 15% stake in Kıbrıs Vakıflar Bankası Ltd., which has capital of TL 40 million.

TÜRKİYE SİNAI KALKINMA BANKASI A.Ş.

Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. provides long-term funds for medium and large-scale investment projects, engages in investment banking activities, and offers corporate finance services. VakıfBank owns an 8.38% stake in the Bank's share capital of TL 1,500 million.

TAKASBANK-İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) is engaged in clearing and custody services as well as investment banking services. VakıfBank owns a 4.37% stake in the bank's share capital of TL 600 million.

GÜNEŞ SİGORTA A.Ş.

Güneş Sigorta is a general (nonlife) insurer originally established in 1957 under VakıfBank's direction. VakıfBank owns a 36.35% stake in the company's share capital of TL 150 million.

VAKIF EMEKLİLİK A.Ş.

Vakıf Emeklilik A.Ş. was established in 1991 as a life insurer. On August 1, 2003, the company acquired a license to sell private pensions pursuant to Private Pension Savings and Investment System Law No. 4632; on September 5, 2003, the company received a license to establish private pension funds. VakıfBank owns a 53.90% stake in the company's share capital of TL 26.5 million.

VAKIF FİNANSAL KİRALAMA A.Ş.

Vakıf Finansal Kiralama A.Ş. was founded in 1988 to provide a comprehensive range of leasing services. VakıfBank owns a 58.71% stake in the company's share capital of TL 65 million.

7.8%

As of December 2014, the value of the Bank's subsidiary and affiliate portfolio increased by 7.8% year on year, reaching TL 1,737 million, up from TL 1,611 million in 2013.

AFFILIATES AND SUBSIDIARIES

Fourteen of VakıfBank's subsidiaries operate in the financial services sector, (five in banking, two in insurance, and seven in other lines of the financial sector), while nine are non-financial companies, (one in energy, two in tourism, one in manufacturing, and five in other commercial businesses).

VAKIF B TİPİ MENKUL KIYMETLER YATIRIM ORTAKLIĞI A.Ş.

Established in 1991 as a publicly held company, Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı A.Ş. is an investment trust. It professionally manages the assets of small and individual investors in the stock exchange, facilitates the trading of marketable securities and maximizes the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank owns a 22.89% stake in the company's share capital of TL 20 million.

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded under the guidance of VakıfBank as the first real estate investment trust in Turkey with an issued capital of TL 250,000. The company was set up to establish and manage a portfolio of real estate properties and real estate backed capital markets instruments. VakıfBank owns a 38.70% stake in the company's share capital of TL 203 million.

VAKIF FİNANS FACTORİNG HİZMETLERİ A.Ş.

Vakıf Finans Factoring Hizmetleri A.Ş. was established in 1998 to provide factoring services for domestic and international commercial transactions. VakıfBank owns a 78.39% stake in the company's share capital of TL 22.4 million.

VAKIF YATIRIM MENKUL DEĞERLER A.Ş.

Vakıf Yatırım Menkul Değerler A.Ş. was originally established as Vakıf Yatırım A.Ş. (Vakıf Investment Inc.) under the direction of VakıfBank to conduct capital market activities in the same year pursuant to the Capital Markets Board's resolutions dated August 15, 1996. VakıfBank owns a 99% stake in the company's share capital of TL 35 million. In addition to providing brokerage services, Vakıf Yatırım Menkul Değerler A.Ş. performs repurchasing agreements of securities (repo transactions), and provides investment consultancy, and portfolio management and asset management services.

VAKIF PORTFÖY YÖNETİMİ A.Ş.

Vakıf Portföy Yönetimi A.Ş. was established to manage customer portfolios consisting of capital markets instruments as the authorized agent under discretionary portfolio management agreements pursuant to the Capital Markets Law and other applicable legislation. The company also provides investment advisory and capital markets services. VakıfBank owns a 99.99% stake in the company's share capital of TL 3 million.

KREDİ GARANTİ FONU A.Ş.

Kredi Garanti Fonu A.Ş. was established in 1991 to provide collateral for all types of loans in favor of SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the company in 2009 and owns a 1.75% stake in its share capital of TL 240 million.

VAKIFBANK NON-FINANCIAL SERVICES GROUP

TAKSİM OTELCİLİK A.Ş.

Taksim Otelcilik A.Ş. was established in 1966 to build, contract out and manage hotels, motels and similar facilities capable of increasing Turkey's incoming tourism potential. VakıfBank owns a 51% stake in the company's share capital of TL 334.3 million.

VAKIF GAYRİMENKUL DEĞERLEME A.Ş.

Vakıf Gayrimenkul Değerleme A.Ş. was established in 1995 to provide appraisal and evaluation services for all types of real estate properties. VakıfBank owns a 54.29% stake in the company's share capital of TL 7 million.

VAKIF ENERJİ VE MADENCİLİK A.Ş.

Vakıf Enerji ve Madencilik A.Ş. was established to build electric and heat energy generation facilities, to generate energy at these facilities and to sell the energy it produces within the framework of current laws, regulations and administrative provisions. VakıfBank owns a 65.50% stake in the company's share capital of TL 85 million.

ROKETSAN ROKET SANAYİİ VE TİCARET A.Ş.

Roketsan Roket Sanayii ve Ticaret A.Ş. engages in the production, manufacturing and sale of rocket fuel as well as missiles, rockets and rocket launchers, and their engines. VakıfBank owns a 9.93% stake in the company's share capital of TL 147 million.

GÜÇBİRLİĞİ HOLDİNG A.Ş.

Güçbirliği Holding A.Ş. was established in 1995. VakıfBank owns a 0.07% stake in the company's share capital of TL 30 million.

VAKIF PAZARLAMA SANAYİ VE TİCARET A.Ş.

Operating as a support service provider for recruitment for companies, Vakıf Pazarlama Sanayi ve Ticaret A.Ş. has a capital of TL 30.2 million, of which the Bank owns a 69.33% share.

İZMİR ENTERNASYONAL OTELCİLİK A.Ş.

İzmir Enternasyonal Otelcilik A.Ş. engages in contracting out of the building and the management of hotels and commercial centers. VakıfBank owns a 5% stake in the company's share capital of TL 120,000.

KREDİ KAYIT BÜROSU A.Ş. (KKB)

Kredi Kayıt Bürosu A.Ş. was established in 1995 to manage the flow of loan information. VakıfBank owns a 9.09% stake in the company's share capital of TL 7.4 million.

BANKALARARASI KART MERKEZİ A.Ş.

Bankalararası Kart Merkezi A.Ş. was established in 1990 to conduct card based payment systems, clearing and provisioning services. VakıfBank owns a 9.70% stake in the company's share capital of TL 14 million.

SUMMARY REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

In the wake of the global financial crisis, developed economies such as the US, Europe, and Japan followed expansionary monetary policies to stimulate recovery. In 2014, central banks in developed countries began to follow different paths in terms of monetary policy. The US economy recorded its highest growth since 3Q 2003, growing by 5% on a quarterly basis in 3Q 2014. Due in part to this strong growth achieved in the US economy along with the recovery on the employment front and a moderate rise in inflation, the Fed decided to taper off the asset purchase program on October 29, 2014, which it had initiated in September 2012.

Although the 0.2% growth seen in the Eurozone on a quarterly basis in 3Q 2014, which was slightly above expectations, was regarded as a positive development for markets, risks on the growth outlook still persist. The ECB, which has been grappling continuously with low inflation and high unemployment, continued to implement its expansionary monetary policy to revive economic activity during this period. At its meeting held in September 2014, the ECB cut policy interest rates from 0.15% to 0.05%, and deposit interest rates from -0.10% to -0.20%. Low inflation rates in the Eurozone caused the ECB to implement Targeted Longer-Term Refinancing Operations (TLTRO). In order to provide more funding to banks and stimulate the economy, the ECB also started asset-backed security purchases for the first time on December 21, 2014. If the liquidity provided by the ECB falls short, it stated that government bonds may be included in the scope of the asset purchase program.

The BoJ also continued to implement expansionary monetary policies to fight deflation. Having contracted during this period, the Japanese economy technically fell into recession after two consecutive quarters of negative growth, emerging from this setback with 2.2% growth in 4Q 2014. Recording the lowest growth rate on a quarterly basis since 1Q 2009, the Chinese economy constitutes a downward risk for global growth.

While recession and unemployment were the primary problems around the world, the Turkish economy managed to grow by 4.8% and 2.2% in the first and second quarters of the year, respectively, on an annualized basis. In the first nine months of 2014, the economy grew by 2.8% compared to the same period of 2013 in real terms. The largest contribution to growth came from exports. In addition, increasing exports, declining gold imports and weakening domestic demand in 2014 led to a substantial improvement in the foreign trade deficit. The current account deficit also declined alongside this improvement in foreign trade. As a result, the current account deficit fell by 29.1% in 2014, to US\$ 45.8 billion from US\$ 65 billion in 2013. The inflation rate trended higher during 2014 due to food prices as well as the loss of value in the Turkish lira. Nevertheless, thanks to these ongoing positive developments, inflation eased sharply from 9.15% in November to 8.17% in December 2014.

Total assets of the Turkish banking sector rose to TL 1,994 billion in December 2014, a 15.1% YoY increase. The share of deposits, which fund majority of the industry's assets, in total liabilities continued to decline in 2014, falling to 52.8%. The importance of non-deposit sources of funding increased in terms of reducing the cost of funds and extending the average maturity of liabilities. The deposits-to-loans ratio stood at 1.18% as of December 2014.

As one of the key players in the sector, VakıfBank's commercial loans grew 27.65%, to TL 71.5 billion, while retail loans increased 7.75%, to TL 32.8 billion. As a result, VakıfBank maintained its strong position in the market. Continuing to support SMEs during this period, VakıfBank's SME loans increased 25.42%, to TL 27.7 billion, while total loans grew by 20.63%, to TL 104.3 billion. Total assets, 65.95% of which are comprised of loans, increased 16.77% ,to TL 158.2 billion.

Deposits, the Bank's most important source of funding, grew 12.54%, to TL 91.8 billion, thanks to our strategy of broadening our deposit base and expanding the branch network. VakıfBank also continued to find low-cost overseas funding sources; in October 2014, the Bank signed a one-year syndicated loan agreement consisting of two tranches of US\$ 168.5 million and € 528.75 million with the participation of 26 banks from 16 countries. In the same period, the Bank's shareholders' equity totaled TL 14.8 billion while the Bank announced net profit of TL 1,753 million, a 10.58% YoY increase. The Bank's average return on equity (ROE) and return on assets (ROA) stand at 12.80% and 1.19%, respectively.

Undoubtedly, one of the most important developments of the year for the Bank was its inclusion in the BIST Sustainability Index that was launched by Borsa İstanbul in 2014. This index is an important tool for investors, revealing the financial performance of the companies along with their performance on the environment, social responsibility, and corporate governance, allowing them to easily identify and choose companies worth investing in.

In line with the reflection of the foundation heritage in its roots and its corporate motto of "Compassionate Bank", VakıfBank continued to carry out sponsorship programs and social responsibility projects in a variety of areas, from education and sports to cultural publications and international events in 2014.

We would like to thank our loyal customers, our employees who have contributed to our success with their diligent efforts, and our valued shareholders who have always supported us.

Respectfully,

TÜRKİYE VAKIFLAR BANKASI T.A.O.
BOARD OF DIRECTORS

BOARD OF DIRECTORS AND AUDITORS



RAMAZAN GÜNDÜZ

Chairman

Ramazan Gündüz began his banking career as an intern at VakıfBank in 1977. Subsequently, he worked as Assistant Auditor and Auditor before serving in various managerial positions including Assistant Manager of the Istanbul Region, Manager of the Istanbul Financial Analysis and Intelligence Department, Manager of the Şişli Branch, Manager of the Medium-Sized Loans Department, Head of the Loans Department, Manager of the Istanbul Regional Directorate, Executive Vice President and Board member. Following his retirement, Ramazan Gündüz served as General Manager of Vakıf Menkul Kıymetler Yatırım Ortaklığı and Vakıf Leasing, both of which are subsidiaries of VakıfBank. He was appointed to the Board at the General Assembly Meeting dated April 3, 2009. He has been the Chairman of the Board of Directors since April 29, 2013.



MEHMET EMİN ÖZCAN

Vice Chairman

Mehmet Emin Özcan was born in 1960 in Beytüşşebap. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1982. Mr. Özcan began his professional career on January 1, 1983 at Türkiye İş Bankası A.Ş. as Assistant Auditor. Subsequently, he assumed various managerial responsibilities at Albaraka Türk Katılım Bankası A.Ş. He was Executive Member of the Board of Directors of Halk Bankası A.Ş. between March 2003 and April 2005. At the same time, he assumed duties as Member of the Board of Directors at Demir-Halk Bank/Netherlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. He served as Member of the Board of Directors of T.C. Ziraat Bankası A.Ş. in charge of auditing between April 2005 and May 2010. He also assumed duties at various subsidiaries of T.C. Ziraat Bankası A.Ş. (Ziraat Bank Bosnia dd-Sarajevo, Kazakhstan Ziraat International Bank-Almaty, Ziraat Bank International AG- Frankfurt, AzerTürk Bank -Baku) as Chairman/Member of the Board of Directors. He served as Vice Chairman of the Board of Directors of Türkiye Halk Bankası A.Ş. from April 2010 to March 2013. He was also Member of the Board of Directors of Demir-Halk Bank/Rotterdam/Netherlands. Mr. Özcan became a Member of the Board of Directors of VakıfBank on March 29, 2013 and currently serves as Vice Chairman of the Board of Directors. At the same time, he is a member of the Audit Committee and Credit Committee. He is the Chairman of the Board of Directors of VakıfBank International AG Wien, a subsidiary of VakıfBank. Mr. Özcan is married with three children.



HALİL AYDOĞAN

General Manager

Born in 1950 in Afyonkarahisar, Halil Aydoğan graduated from Istanbul University, Faculty of Economics, Department of Business Administration and Finance in 1976. He began his career at VakıfBank as Assistant Auditor in 1977. Subsequently, he served as Auditor from 1980 to 1983; Assistant Manager in the Mecidiyeköy Branch between 1983 and 1985; and Branch Manager in the Kadıköy, Mecidiyeköy, Taksim, Istanbul and Şişli branches from 1985 until 1996. Mr. Aydoğan assumed the positions of Executive Vice President at VakıfBank between 1996 and 1999 and General Manager at Vakıf Finansal Kiralama A.Ş. from 1999 to 2000. He was a Member of Parliament from Afyonkarahisar for the 22nd and 23rd terms, a member of the State Owned Enterprises Commission for two years, and a member of the Planning and Budget Commission for seven years. On January 5, 2012, Mr. Aydoğan was appointed as Chairman of the Board of Directors of VakıfBank and has served as General Manager of the Bank since March 29, 2013. He also holds the position of Chairman of the Board of Directors at Taksim Otelcilik A.Ş. and at Güneş Sigorta A.Ş. and is a Board member of Türkiye Sınai Kalkınma Bankası A.Ş.



İSMAİL ALPTEKİN
Independent Board Member

Having graduated from Istanbul University, Faculty of Law in 1968, İsmail Alptekin began his professional career as an attorney at Türkiye Zirai Donatım Kurumu and subsequently worked as Auditor at TÜBİTAK. He held positions as a Board member at VakıfBank for two terms (1975-1978, 1996-1997), a member of Ankara Metropolitan Municipality Council, and as a Member of Parliament from Bolu during the 21st term and from Ankara during the 22nd term. He was also appointed Vice Chairman of the Parliament during his terms in office. İsmail Alptekin was appointed as a Member of the Board of Directors at the Ordinary General Assembly Meeting dated April 3, 2009. Mr. Alptekin is a member of the Corporate Governance Committee and Remuneration Committee.



HALİM KANATCI
Board Member

Having graduated from Istanbul ITIA (Economic and Commercial Sciences Academy), Department of Business in 1976, Halim Kanatçı worked at Garanti Bank for 24 years, including 13 years in executive positions, and as Branch Manager at Finansbank and Toprakbank for three years. He served as the General Manager of Istanbul Marmara Eğitim Sağlık Kurumları A.Ş., on the Board of Trustees of T.C. Maltepe University, and Deputy Mayor of Istanbul/ Maltepe Municipality from 2004 to 2009. Mr. Kanatçı was appointed to the Board of Directors of VakıfBank by the Prime Minister on April 28, 2009. Halim Kanatçı is also a member of the Credit Committee and the Corporate Governance Committee.



DR. ADNAN ERTEM
Board Member

Born in 1965, Adnan Ertem completed his secondary education in Erzincan. He graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1987, and earned his Ph.D. in 1997 in Sociology. Starting his career as Assistant Auditor at the General Directorate of Foundations in 1988, Dr. Ertem was appointed Auditor in 1991 and Chief Auditor in 2002. Between 2002 and 2007, he served as the Deputy Manager at the Istanbul Regional Directorate of Foundations. Between 2007 and 2010, Dr. Ertem served as Deputy Undersecretary of the Turkish Prime Ministry and in October 2010 he was appointed General Director of the Turkish Prime Ministry, General Directorate of Foundations. On October 27th, 2010, he was appointed as a Member of Board of Directors at VakıfBank. Dr. Ertem is also a member of the Bank's Remuneration Committee. He is married with two daughters.

BOARD OF DIRECTORS AND AUDITORS



ÖZTÜRK ORAN
Board Member

Öztürk Oran was born in Kars in 1956. He graduated from Erzurum Kazım Karabekir Training Institute, Department of Turkish Language (Turkish Language and Literature). Mr. Oran also holds a degree from the Banking and Trade Law Training Institute and Istanbul University, Faculty of Business Administration Accounting Institute Budgeting and Standard Costs specialty program. He began his professional career in 1974 at VakıfBank as an officer. At the same time, he attended Foreign Trade, English, Accounting and Bank Management trainings at the Training Center of the Banks Association of Turkey for a period of three years and received an honorary degree. During his 28 years of banking experience, he worked 12 years at VakıfBank and 16 years at Faisal Finance Participation Bank, assuming duties at various departments and all levels. Since 2003, he has served as Chairman of the Board of Directors at pharmaceutical companies where he is also a partner. Mr. Oran is a Member of the Board of Directors and a Council Member at Istanbul Chamber of Commerce. In addition, he held various managerial roles in a number of civil society organizations and foundations such as the Orphans Association and Orphans Foundation. He is married with two daughters. Öztürk Oran is fluent in English. He was elected as Member of the Board of Directors at VakıfBank's Extraordinary General Assembly Meeting dated April 30, 2014. He is also a Corporate Governance Committee Member and Credit Committee alternate member.



ŞEREF AKSAÇ
Board Member

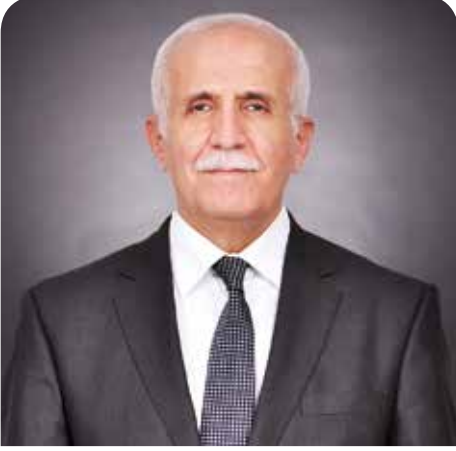
Şeref Aksaç was born in Bayburt in 1956. He graduated from Istanbul Economics and Commercial Sciences Academy, Faculty of Political Sciences, Department of Public Administration in 1979. Mr. Aksaç began his professional career in 1982 as Assistant Auditor at Ziraat Bank and was promoted to Auditor in 1986. Şeref Aksaç assumed duties as Assistant Manager at the Istanbul Branch between 1990 and 1993 and as Manager in various branches of Ziraat Bank between 1993 and 2003. He was appointed Executive Vice President responsible for Human Resources between 2003 and 2005. In addition to these duties, he served as Audit Committee Member at Başak Insurance, and as Member of the Board of Directors at Türkmen Turkish Joint-Stock Commercial Bank and at Ziraat Investment and Securities. While serving as Executive Vice President responsible for Sales and Marketing and as Deputy General Manager at Ziraat Hayat ve Emeklilik A.Ş. in August 2012, Mr. Aksaç was appointed General Manager at Ziraat Hayat ve Emeklilik A.Ş. as of March 2013. He is married with one child. He was elected as Member of the Board of Directors at VakıfBank's Extraordinary General Assembly dated on April 30, 2014. He is also a member of the Remuneration Committee and an alternate member of the Credit Committee.



SABAHATTİN BİRDAL
Independent Board Member

Sabahattin Birdal was born in Kemah/Erzincan in 1952. He graduated from Istanbul University, Faculty of Economics, Department of Business Administration-Public Finance. Mr. Birdal began his professional career as Assistant Auditor at VakıfBank and subsequently assumed duties as Auditor and Branch Manager. He served as Bank Services Manager at Faisal Finance Bank, as Branch and Department Manager and as an Executive Vice President at Kuveyt Türk Evkaf Finance House. Mr. Birdal assumed duties as Deputy Mayor of Üsküdar Municipality between April 2004 and March 2008, and as Member of the Board of Directors of VakıfBank between March 2008 and October 2010. He was appointed to Halkbank's Board of Directors on October 27, 2010. Sabahattin Birdal was elected Member of VakıfBank's Board of Directors at the meeting held on March 31, 2014. He is also a member of the Audit Committee.

BOARD OF STATUTORY AUDITORS MEMBERS



MEHMET HALTAŞ

Board of Statutory Auditors Member

Mehmet Haltaş graduated from Ankara İ.T.A. Başkent School of Economics and Commercial Sciences. Subsequently, he worked as Auditor and Chief Auditor at the General Directorate of Foundations for 24 years; currently, he is serving as the Head of Counseling and Audit Department in the same organization. He was appointed member of the Board of Statutory Auditors on March 29, 2013.



YUNUS ARINCI

Board of Statutory Auditors Member

Yunus Arıncı graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He began his professional career as Assistant Auditor at the Prime Ministry in 1997 and later completed his post graduate degree at Indiana University between 2007 and 2009. Following his posts as Auditor and Chief Auditor at the Prime Ministry, Mr. Arıncı was appointed as Chairman of the Prime Ministry Board of Auditors, a position he still holds. He was appointed to the VakıfBank Board of Statutory Auditors on March 29, 2013.

EXECUTIVE MANAGEMENT



HALİL AYDOĐAN
General Manager

Born in 1950 in Afyonkarahisar, Halil Aydođan graduated from Istanbul University, Faculty of Economics, Department of Business Administration and Finance in 1976. He began his career at VakıfBank as Assistant Auditor in 1977. Subsequently, he served as Auditor from 1980 to 1983; Assistant Manager in the Mecidiyeköy Branch between 1983 and 1985; and Branch Manager in the Kadıköy, Mecidiyeköy, Taksim, Istanbul and Şişli branches from 1985 until 1996. Mr. Aydođan assumed the positions of Executive Vice President at VakıfBank between 1996 and 1999 and General Manager at Vakıf Finansal Kiralama A.Ş. from 1999 to 2000. He was a Member of Parliament from Afyonkarahisar for the 22nd and 23rd terms, a member of the State Owned Enterprises Commission for two years, and a member of the Planning and Budget Commission for seven years. On January 5, 2012, Mr. Aydođan was appointed as Chairman of the Board of Directors of VakıfBank and has served as General Manager of the Bank since March 29, 2013. He also holds the position of Chairman of the Board of Directors at Taksim Otelcilik A.Ş. and at Güneş Sigorta A.Ş. and is a Board member of Türkiye Sınai Kalkınma Bankası A.Ş.



METİN RECEP ZAFER
Executive Vice President

(General Accounting and Financial Transactions - Treasury and Foreign Operations - Banking Operations - Consumer Relations Coordination) Metin Recep Zafer is a graduate of Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. Starting his banking career in 1992, he served as Assistant Associate, Auditor and Department Manager at the branches, head offices and audit committees of various banks. He was appointed Executive Vice President at T. Vakıflar Bankası T.A.O. on June 13, 2006. He is fluent in English.



SERDAR SATOĐLU
Executive Vice President

(Private Banking Directorate-Subsidiaries Directorate) Serdar Satođlu was born in Ankara in 1972. He joined T. Vakıflar Bankası T.A.O. on March 6, 1995 as Assistant Auditor and was appointed Head of the Audit Committee of Vakıf Yatırım Menkul Deđerler A.Ş. in 2001. He subsequently served as General Manager at the same company for seven years between 2003 and 2010. He was promoted to Executive Vice President at T. Vakıflar Bankası T.A.O. as of June 17, 2010. He was a Member of the Board of Directors at TakasBank between 2008 and 2010; at the Turkish Derivatives Exchange (VOB A.Ş.) between 2011 and 2012; and at the Central Registry Agency (MKK) between March 29, 2012 and October 25, 2014. Serdar Satođlu served as Audit Committee Member and then was appointed Member of the Board of Directors at the Turkish Capital Markets Association (TSPAKB) between May 23, 2011 and July 8, 2014. In January 2011, he was elected Member of the Board of Directors at Vakıf Portföy Yönetimi A.Ş., a position he still holds. After graduating from TED Ankara College in 1990 and Ankara University, Faculty of Political Sciences in 1994, Serdar Satođlu received his Master's degree in Capital Markets and Stock Exchanges at Marmara University, Banking and Insurance Institute in 2006. He received his Ph.D. in Banking in 2010 from the same Institute. Mr. Satođlu is fluent in English and he is married with three children.

**HASAN ECESOY****Executive Vice President**

(Treasury Banking)

Starting his banking career in October 1993 at Ziraat Bankası, Hasan Ecesoy was appointed Assistant General Manager in May 2010 after working for several banks. He graduated from Uludağ University, Faculty of Engineering, Department of Electronics Engineering. Mr. Ecesoy holds a Master's degree from Istanbul Technical University, Department of Business Administration, and a Ph.D. from Marmara University, Department of Economics. Hasan Ecesoy is fluent in English.

**ALİ ENGİN EROĞLU****Executive Vice President**

(Software Development - System Management - IT Operation and Support - IT Services Planning - IT Process Management and Compliance - Project Management - Information Security)

After working as Software Engineer, Project Director, Manager and Assistant General Manager at several firms since 1996, Ali Engin Eroğlu was appointed Assistant General Manager on July 29, 2010. He graduated from Boğaziçi University, Department of Computer Engineering and received his Master's degree in Computer Engineering from Gebze Hi-Tech Institute. Mr. Eroğlu is fluent in English.

**OSMAN DEMREN****Executive Vice President**

(Commercial & Corporate Credit Risk Department - Retail & SME Credit Risk Department - Appraisal & Financial Analysis) Joining T. Vakıflar Bankası T.A.O. on December 16, 1996 as Assistant Auditor, Osman Demren was appointed Assistant General Manager on March 23, 2011 after working as Branch and Region Manager for several years at the Bank. Mr. Demren is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He is fluent in English.

EXECUTIVE MANAGEMENT



NUMAN BEK

Executive Vice President

(International Banking and Investor Relations - International Branches Coordination) Born in Adana in 1967, Numan Bek is a graduate of Çukurova University, Faculty of Economics and Administrative Sciences, Department of Economics. He started his career as Assistant Associate at the Banking School of Ziraat Bank in 1991 and began working as Associate in the Securities Department in 1992. Mr. Bek joined T. Vakıflar Bankası T.A.O. in 1993 as Assistant Auditor and served as Auditor from 1996 to 1999. Between 1999 and 2002, he assumed the position of Assistant Manager in the Portfolio Management Department. He was Manager of VakıfBank's New York Branch between 2002 and 2004 and General Manager and Member of the Board of Directors of Austria VakıfBank International AG between 2004 and 2010. Numan Bek served as Executive Vice President responsible for International Banking at T.C. Ziraat Bankası A.Ş. and was a Member of the Board of Directors, Audit Committee and Supervisory Board for the Bank's subsidiaries between 2010 and 2012. On April 7, 2012, he was appointed Executive Vice President of T. Vakıflar Bankası T.A.O. Mr. Bek also serves as a Member of the Supervisory Board of VakıfBank Austria International AG. He is fluent in English and German.



MUHAMMET LÜTFÜ ÇELEBİ

Executive Vice President

(Corporate and Commercial Banking - SME Banking - Cash Management Operations - Bank Insurance Department - Corporate Branches) Muhammet Lütfü Çelebi is a 1992 graduate of Istanbul University, Faculty of Economics and Administrative Sciences, Department of Economics. He started his career in 1995 at T. Vakıflar Bankası T.A.O. as Assistant Auditor. Between 1998 and 2001, he worked as Assistant Manager and Manager at a number of the Bank's branches. From 2011 to 2013, he held the position of the Head of Retail Banking; he was appointed Executive Vice President of T. Vakıflar Bankası T.A.O. on October 4, 2013. He is fluent in English.



MUSTAFA SAYDAM

Executive Vice President

(Human Resources - Support Services - Distribution Channels - Retail Banking - Payment Systems Operations) Mustafa Saydam served as Assistant Manager and Manager in various branches/units at the Bank after working as Auditor between 1996 and 1999. He worked as the Head of Human Resources from 2005 until 2010, and as the Head of the Audit Board between 2010 and 2013. Mr. Saydam was appointed Assistant General Manager of T. Vakıflar Bankası T.A.O. on October 7, 2013. He is fluent in English.

*At the Board of Directors meeting of our Bank held on February 5, 2015, our Board of Directors resolved to appoint Assistant General Manager Mr. Numan Bek was put under General Manager's order.



MEHMET EMİN KARAAĞAÇ

Executive Vice President

(Loan Monitoring and Legal Proceedings - Legal Services)

Mehmet Emin Karaağaç graduated from Istanbul University, Faculty of Law in 1989 and started his career as an attorney at T. İş Bankası A.Ş. He served as Assistant Legal Counsel and Legal Counsel at various units of T. İş Bankası A.Ş. until January 2, 2012. He assumed the position of Chief Legal Advisor in the VakıfBank Legal Counseling Department from January 3, 2012 onwards. Mehmet Emin Karaağaç was appointed Executive Vice President of T. Vakıflar Bankası T.A.O. on October 25, 2013.

INTERNAL CONTROL SYSTEMS EXECUTIVES

ERSİN ÖZOĞUZ

Head of the Internal Audit Board

Ersin Özoğuz started working as Assistant Auditor on the Board of Auditors on December 16, 1996. subsequently, he served as Manager and Regional Manager at the Bank's various branches and at various Head Office units. While serving as the Head of Cash Management Operations, he was appointed as Head of the Internal Audit Board on February 20, 2014. He is a graduate of Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Finance.

ZEKİ SÖZEN

Head of Risk Management

Zeki Sözen began his professional career at VakıfBank as a Programmer in the Electronic Business Intelligence Systems (EBIS) Department on September 9, 1987. Subsequently, he served as Senior Programmer, Assistant Manager, Manager and Head of different units of the EBIS Department prior to his appointment to Head of Risk Management on August 7, 2008. He graduated from Middle East Technical University, Department of Computer Engineering; he completed postgraduate study at the same institution.

RAMAZAN SIRYOL

Head of Internal Audit

Ramazan Sıryol began his career in 1993 as Assistant Auditor under the Head of the Audit Board. Since 2001, he has assumed managerial duties in various Bank branches. He was appointed Head of the Audit Committee in 2008. Internal Audit, Legislation Monitoring and Compliance and Assessment are within the scope of his field of responsibilities. He is a graduate of Istanbul University, Faculty of Economics, Department of Public Finance.

COMMITTEES

AUDIT COMMITTEE

Mehmet Emin Özcan and Sabahattin Birdal were elected to the Audit Committee that was established in order to assist the VakıfBank Board of Directors in carrying out its auditing and oversight responsibilities.

The Audit Committee has assumed the following duties and functions:

- Overseeing the effectiveness and adequacy of the internal control systems of the Bank; functioning of these systems as well as the accounting and reporting systems in accordance with applicable laws and regulations; and maintaining the integrity of the information generated by these systems on behalf of the Board of Directors,
- Performing the preliminary assessments required for the selection of the independent audit firms by the Board of Directors,
- Monitoring the activities of the independent audit firms selected by the Board of Directors on a regular basis,
- Ensuring the consolidated functioning and coordination of the internal audit functions of the institutions subject to consolidated audit,
- Preparing reports on the functioning of the internal audit, internal control and risk management system for the annual report.

CREDIT COMMITTEE

VakıfBank Credit Committee is comprised of two permanent members and two alternate members, in addition to the General Manager. Mehmet Emin Özcan and Halim Kanatçı serve as permanent members while Öztürk Oran and Şeref Aksaç are alternate members.

The functions of the Credit Committee are as follows:

- Performing the tasks stipulated in the Banking Law in accordance with the principles set forth by the Board of Directors,
- Soliciting the written recommendation of the Head Office in lending decisions, and providing the financial analysis and news and intelligence reports about those applying for loans with respect to recommendations for loans that require the procurement of account status documentation,
- Providing any type of information that may be requested by any of the members of the Board of Directors about the Committee's activities and cooperating in the performance of any checks and controls since the Committee's activities are overseen by the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for overseeing the Bank's compliance with the Corporate Governance Principles. The Committee is comprised of members of the Board of Directors: Chairman İsmail Alptekin and members Halim Kanatçı, Öztürk Oran, Mustafa Turan. The functions of the Corporate Governance Committee are as follows:

- Overseeing the degree of compliance with the Corporate Governance Principles within the Bank and determining the reasons in case of non-compliance as well as determining the negative impacts resulting from incomplete adherence to these principles and recommending corrective actions to be taken in respect thereof,
- Formulating methods that will provide transparency in the identification of the candidates for the Board of Directors to be recommended to the Board of Directors,
- Undertaking research and developing recommendations about the number of executives in senior management positions,
- Formulating recommendations and monitoring the implementations related to the principles and practices for performance evaluation and compensation of the members of the Board of Directors and the executives,
- Providing recommendations to the Board of Directors pertaining to the persons to be appointed to the Bank's senior management positions consisting of Executive Vice Presidents and equivalents,
- Investigating the independence of the members of the Board of Directors and uncovering any conflicts of interest,
- Providing assessments and recommendations related to the structure and operating principles of the committees reporting to the Board of Directors.

REMUNERATION COMMITTEE

With the Board of Directors decision numbered 82893 and dated January 26, 2012, the VakıfBank Remuneration Committee was established in line with Article 6 of the Corporate Governance Principles that was amended with the "Regulation on Making Amendment to the Regulation Regarding the Corporate Governance Principles of Banks" that was published in the Official Gazette No. 27959 dated June 9, 2011. The Committee Chairman is İsmail Alptekin and the members are Dr. Adnan Ertem and Şeref Akşaç.

The Remuneration Committee evaluates remuneration policies and practices in the context of risk management, and reports its recommendations to the Board of Directors annually.

The Remuneration Committee develops its recommendations regarding the remuneration of the members of the Board of Directors and senior executives by taking into consideration the Bank's long-term objectives. The Committee identifies remuneration criteria that are linked to respective the performance of both the Bank and the Board Members. Considering the degree of realization of the criteria, the Committee submits its remuneration proposals regarding Board Members and senior executives to the Board of Directors.

ASSET/LIABILITY MANAGEMENT COMMITTEE

The Asset/Liability Management Committee meets on a weekly basis to evaluate economic and market developments and to discuss the impact of these developments on the Bank's balance sheet. In addition, by reviewing the cost of funding as well as currency, interest rate, liquidity and credit risks, the Committee provides direction to ensure that actions impacting the Bank's balance sheet are in line with the Bank's objectives and strategies. In addition, the Committee monitors resources and resource utilization movements that generate cash inflows and outflows in the short term, and evaluates measures and actions that will give direction to the liquidity-resource procurement-resource utilization transactions that are suitable for the Bank's primary objectives and strategies.

The Committee is chaired by the General Manager and is comprised of the Manager of Economic Research and the Head of Risk Management.

COMMITTEE MEETING FREQUENCY AND ATTENDANCE AT MEETINGS

Board of Directors: It generally convenes every 15 days, but more frequently in case of emergencies. The Board of Directors convened for 29 meetings and passed 1,431 resolutions in 2014.

Audit Committee: The Audit Committee generally convenes once a month. The Audit Committee convened for 17 meetings and passed 49 resolutions in 2014.

Credit Committee: It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. The meeting time is determined by the CEO based on the number of agenda items received by the meeting secretariat and their urgency status. The Committee convened for 59 meetings and passed 342 resolutions in 2014.

Asset/Liability Management Committee: Usually convening weekly, the Committee held 36 meetings in 2014.

Corporate Governance Committee: It convenes at the dates specified by the Committee Chairman; generally every three months or at least twice a year, but not to exceed six months between meetings. The Committee convened for three meetings in 2014.

Remuneration Committee: It meets at least once a year. The Committee convened twice in 2014.

HUMAN RESOURCES PRACTICES

As a result of the human resources practices that it pursued in 2014 based on the regional needs for the continuity of the Bank's success, VakıfBank was able to establish a strong organizational structure by helping develop banking industry specialists and ensuring the efficient development of the Bank's branch network in order to recruit the optimal number of employees, administer training programs to improve the competencies and skills of employees, and provide effective, efficient and high-quality services within the framework of the Bank's overarching objectives and policies.

EMPLOYEE MANAGEMENT

With its recruitment and employee selection processes that it conducted in line with its needs in 2014, VakıfBank aimed to provide the Bank with the right employees who possess the qualifications required by the banking sector and who fit in the Bank's corporate culture. After determining the minimum number of employees needed for the fulfillment of its human resources policy, 974 new employees were hired in 2014 with the aim of recruiting the right candidates who will increase the quality of the Bank's workforce. Some 997 employees left the Bank due to retirement, resignation and other reasons during the reporting period; as of year-end 2014, the number of Bank employees totaled 14,920. In line with the goal of utilizing the existing human resources more efficiently and productively, one Regional Directorate, one Regional Loans Directorate, six new Units and 34 new branches commenced operation without adding headcount compared to the previous year.

CAREER AND PERFORMANCE

Pursuing a career policy that is consistent with its strategy of "being a bank that develops its own directors", VakıfBank, in line with pre-determined criteria, offers a career path that provides promotion opportunities in certain periods to every promising employee and to the employees who exhibit personal and professional development.

With its career planning and promotion processes that it provided to employees in 2014, the Bank made contributions to the improvement of managerial and leadership skills of employees by assigning them new responsibilities in an attempt to increase employee engagement and strengthen their loyalty to the Bank.

The aim of the performance management system is to establish a link between the Bank's objectives and employee goals; meanwhile, the mutual and continuous information flow between employees and their managers serves to furnish a common culture based on high performance. In terms of recognizing and rewarding high performance, the performance measurement system acts as an important communication mechanism that ensures compatibility between personal goals and corporate goals.

Measurable, attainable, and realistic targets were set by taking into consideration the skill sets and current job descriptions of the employee; in addition, objective and fair performance evaluations were conducted on a monthly basis for each employee in accordance with these targets in 2014. The Bank achieved a high level of employee motivation by making semi-annual incentive payments.

TRAINING

Within the framework of its human resources policies, VakıfBank supports the progress of its employees in line with their career targets, improves their motivation, creates job satisfaction and increases work efficiency through trainings. In line with the "Training Need Assessment", 2,495 classroom training sessions were conducted on 360 different topics in 2014. Some 67,242 participants received a total of 612,667.25 hours of training during these sessions. The Bank's average employee count was 14,920 during 2014; 10,744 employees attended at least one training session while 7,495 employees attended more than one training session. In addition to classroom training sessions, 274,623 participants attended e-learning modules offered on 64 topics.

PLANNING AND ORGANIZATION

Human Resources contributed to the establishment of a solid organizational structure with new branches/units in line with the projects conducted regarding the Bank's organizational structure. In addition, arrangements regarding duties, authorities and responsibilities of the units were made by working directly with the related units. Task procedures of 22 units were updated and brought up-to-date and in compliance with the procedures of the practices.

With the aim of properly determining and employing human resources – who are the most important capital sources of the organization – in terms of quality and quantity and mediating for the employee training and development in line with the Bank's corporate policy, the permanent staff project for the General Directorate units and the branches was completed and announced to the organization.

With its strong capital structure, asset quality and an extensive branch network in the Turkish banking industry, VakıfBank adopted the principle of providing effective, efficient and customer-oriented services. To this end, in order to ensure the continuity of its strong organization, VakıfBank opened one Regional Directorate, one Regional Loans Directorate, and six Units in 2014; the Bank reached 893 branches by adding 29 branches and five satellite branches, up from a total of 859 branches in the previous year.

2015 strategic targets of the Bank regarding human resources practices are given below:

- Making the necessary employee hiring with the aim of ensuring the continuity of the Bank's accelerating progress and its success,
- With the aim of boosting employee motivation and productivity by increasing the communication within the organization, converting the portal – where the screens, which are linked to the Bank's Corporate Portal that contain all the information and proposals about the Human Resources practices are located – to a platform that can be actively utilized by all the employee,
- As part of the Bank's growth process, by taking into consideration the deficiencies in the permanent staff of the Bank's Unit/Branches, needs for authorized employees in the Branches/Units that were recently launched or will soon be launched, and potential attrition (e.g. retirement, resignation), fostering employee promotions to a higher title,
- Making career plans for the employees according to their performance, skills and trainings they attended,
- Setting targets for the sales teams in 2015 and transitioning from monthly performance monitoring to the daily performance monitoring system,
- Monitoring and implementing the latest HR practices, creating a work environment that increases the motivation and productivity of the Bank's employees in order to ensure employee engagement,
- Ensuring that employees use their time off in compliance with the legislation,
- Overseeing the implementation of the "Internal Customer Satisfaction Survey" in order to evaluate the services provided by the General Directorate to the Bank's branch employees,
- Ensuring that the trainings administered under employee needs can be put into practice, support social learning, focus on business results, and use technology intensively,
- With the strength we derive from our customers and in line with the profitability, growth, deposit and loan increase targets for 2015, continuing to perform the projects as planned for expanding the Bank's branch network.

OUTSOURCED SUPPORT SERVICES

VakıfBank procures support services from various companies pursuant to the Regulation on Procurement of Support Services of Banks, Banking Law No. 5411 dated May 11, 2011 and numbered 28106 in order to improve its service quality and maximize customer satisfaction.

As part of the services received from the companies specified within the framework of the Law No. 5188 regarding "Private Security Services," support services such as private security and cash transportation, information systems, various campaigns, merchant verification, and call center services included in the scope of improving Bank's registries, retail marketing and data input services, negotiable instrument printing, human resources, et al. are procured from the following companies, provided that the Bank has the authority in management, content, access, control, auditing and updating.

FOR PRIVATE SECURITY AND CASH TRANSPORTATION SERVICES RECEIVED FROM COMPANIES IN ACCORDANCE WITH LAW NO. 5188 ON PRIVATE SECURITY SERVICES:

- Desmer Güvenlik Hizmetleri A.Ş.
- Ekol Grup Güvenlik Ltd. Şti.
- Group 4 Securicor Güvenlik Hizmetleri A.Ş.
- Securitas Güvenlik Hizmetleri A.Ş.

For the maintenance of IT systems software services:

- Asseco See Teknoloji A.Ş.
- Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Diebold ATM Cihazları Tic. A.Ş.
- DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
- Ereteam Bilgisayar Hizmetleri ve Danışmanlık Ltd. Şti.
- etcbase Yazılım ve Bilişim Teknolojileri Ltd. Şti.
- Experian Bilgi Hizmetleri Ltd. Şti.
- Finar Yazılım Geliştirme San. Tic. A.Ş.
- Global Bilişim Bilgisayar Yazılım Danışmanlık San. ve Tic. Ltd. Şti.
- IBM Global Services İş ve Teknoloji Hizmetleri Tic. Ltd. Şti.
- ICS Financial Systems Ltd.
- Infina Yazılım A.Ş.
- Innova Bilişim Çözümleri A.Ş.
- Key İnternet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müş. San. ve Tic. Ltd. Şti.
- Kobil Bilgisayar Enerji ve Elektrik Sistemleri San. Tic. Ltd. Şti.
- Optiim İş Çözümleri A.Ş.
- Provus Bilişim Hizmetleri A.Ş.
- Riskaktif Danışmanlık Eğitim ve Yazılım San. Tic. Ltd. Şti.
- Suntec Business Solutions FZE
- Troy TRM Enformasyon ve Yazılım San. Tic. Ltd. Şti.
- Turkstrust Bilgi İletişim ve Bilişim Güvenliği Hiz. A.Ş.
- Uzman Bilişim Danışmanlık A.Ş.
- V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Dan. Hiz. Tic. A.Ş.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.

For Call Center services:

- CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri San.ve Tic. A.Ş.

For retail marketing and data entry services:

- 166 Car Dealers
- Inforetify Danışmanlık Hizmetleri Tic. A.Ş.
- PTT Genel Müdürlüğü

For the printing of valuable papers:

- MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.

For using foreign sources:

- Binova Bilişim Danışmanlık Ltd. Şti.
- GMG Bilgi Teknolojileri Ltd. Şti.
- GNY Tanıtım İletişim Hizmetleri ve Dış Tic. Ltd. Şti.
- Intelart Bilgi Sistemleri A.Ş.
- Kratos İnsan Kaynakları Danışmanlık Ltd. Şti.
- Lynks Bilişim Hizmetleri San. Tic. Ltd. Şti.
- Mirsis Bilgi Teknolojileri Ltd. Şti.
- NTT Data Danışmanlık ve Bilişim Çözümleri Ltd. Şti.
- OBSS Bilişim Bilgisayar Hiz. Dan. San. ve Tic. Ltd. Şti.
- Sar Yazılım Bilgi Teknolojileri Danışmanlık Eğitim Ltd. Şti.
- Set Bilgisayar Yazılım Donanım Eğitim Müş. Hiz. Ltd. Şti.
- TCM Bilişim Hizmetleri Ltd. Şti.
- Vakıf Pazarlama San. ve Tic. A.Ş.

For credit cards distribution services:

- Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.

TRANSACTIONS WITH THE BANK'S RISK GROUP

The details of the transactions with the Bank's risk group in 2014 and related explanations are presented in the annual report as a note to Section VII of the Independent Audit Report on Unconsolidated Financial Statements.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I - DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Türkiye Vakıflar Bankası T.A.O. ("VakıfBank" or "Bank"), has adopted the Corporate Governance Principles stipulated in accordance with the Banking Legislation, Capital Markets Board Legislation, Turkish Commercial Code and other relevant regulations.

VakıfBank pays utmost attention in order to actualize these principles and has adopted the equality, transparency, accountability and responsibility concepts of the Corporate Governance Principles published by Capital Markets Board (CMB).

The Bank ensured compliance with the following Corporate Governance Principles from among those stipulated in the Annex of the Corporate Governance Communiqué n. II-17.1 that entered into force after being published in the Official Gazette (n. 28871) on the 3rd of January 2014;

a-) The Bank is in compliance with the following compulsory principles that must be implemented by the banks: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12.), (4.5.13.), (4.6.2.) and (4.6.3.).

The duties, powers and responsibilities of the "Investor Relations Department" carrying out its activities under the Head of International and Investment Relations, were brought in compliance with the framework stipulated in the 11th Article of the Corporate Governance Communiqué and thus full compliance with the relevant legislation was achieved.

b-) Regarding the non-compulsory principles:

In order to achieve compliance with the principle n. 1.3.10, the Bank's Board of Directors established a "Donations and Aid Policy" within the period and this policy was published on the website in Turkish and English. The mentioned policy will be submitted to the approval of the shareholders in the first General Assembly meeting that will be held and thus full compliance will be achieved with the mentioned principle.

In order to achieve compliance with the principle n.1.6.1. the Bank's Board of Directors established a "Profit Distribution Policy" within the period and this policy was published on the website in Turkish and English. The mentioned policy will be submitted to the approval of the shareholders in the first General Assembly meeting that will be held and thus full compliance will be achieved with the mentioned principle.

There are no female members on the Bank's Board of Directors. No target ratio and time were determined for female members to be included on the Board of Directors. Although the Bank currently could not achieve compliance with the advisory principle n.4.3.9, there was no conflict of interest among the stakeholders due to a non-compliance with the mentioned principle.

The Sustainability Index – that was created in order to analyze the decisions of the companies (within the structure of Borsa Istanbul "BIST") about their activities according to an independent assessment system at international standards – was initiated by the BIST within the period by revealing these companies' approach to the issues regarding sustainability such as; environment, global warming, depletion of natural resources, labor rights, occupational health and safety, corporate governance. VakıfBank is one of the four banks in this index which includes 15 companies. VakıfBank's participation in this index, which is one of the significant indicators in terms of corporate governance, shows the Bank's sensitivity in this field.

CHAPTER II - SHAREHOLDERS**2.1 INVESTOR RELATIONS DEPARTMENT**

The Investor Relations Department carries out its activities under the Head of International and Investor Relations that reports to the Executive Vice President Mr. Numan Bek.

Conducting relations with foreign and corporate investors, rating institutions and shareholders, the Investor Relations Department quarterly makes required notifications regarding all activities carried out and submits presentations (in particular, the presentation including financial comparative analysis of VakıfBank with its peers) to the Board of Directors.

The licenses of the department directors are as shown below:

Name-Surname	Title	License
Mustafa TURAN*	Head	Capital Market Activities Advanced Level License, Derivative Instruments License, Corporate Governance License
Ali TAHAN	Manager	Capital Market Activities Advanced Level License, Derivative Instruments License, Corporate Governance License

*Assumes duties as a member of the Corporate Governance Committee as per the 11th Article and 2nd paragraph of the Corporate Governance Communiqué.

Employees serving in the Investor Relations Department are as follows:

Name-Surname	Title	Phone	E-mail
Mustafa TURAN	Head	+90 212 316 73 90	mustafa.turan@vakifbank.com.tr
Ali TAHAN	Manager	+90 212 316 73 36	ali.tahan@vakifbank.com.tr
Zeynep Nihan DİNCEL	Associate	+90 212 316 73 83	zeynepnihandincel@vakifbank.com.tr
Yasemin KEÇELİOĞLU	Assistant Associate	+90 212 316 73 85	yasemin.kecelioglu@vakifbank.com.tr
Ece Seda YASAN	Assistant Associate	+90 212 316 74 01	eceseda.yasan@vakifbank.com.tr
Yusuf YILMAZ	Assistant Associate	+90 212 316 73 88	yusuf.yilmaz2@vakifbank.com.tr
Berna SELEM ARSLANTAŞ	Assistant Officer	+90 212 316 75 94	bernaselem.arslantas@vakifbank.com.tr

The main duties and responsibilities of the Investor Relations Department are as follows:

- Managing the relations with existing and potential foreign investors, domestic corporate investors and rating institutions,
- Managing of relations with intermediary firm's analysts who prepare reports about the Bank,
- Attending meetings organized in the country or outside the country on behalf of VakıfBank,
- Preparing quarterly presentations regarding results of the financial statements and making teleconferences,
- Preparing corporate presentations and similar type of meeting tools that publicize the Bank, arranging various target-driven publicity and informative meetings,
- Keeping up-to-date the "Investor Relations" page that includes Turkish and English contents on the Bank's website,
- Answering the shareholders' information requests made in writing about the Bank,
- Preparing documents that must be submitted for the shareholders' information and review regarding Ordinary and Extraordinary General Assembly meetings; holding General Assembly meetings in compliance with the relevant legislation, the Bank's Articles of Incorporation and other internal regulations; making the disclosure of material matters - required to be made within the scope of the Capital Markets legislation and the relevant legislation that the Bank is liable to comply with - via Public Disclosure Platform,
- Coordinating projects regarding sustainability.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

During 2014, the Investor Relations Department:

- Approximately 1,500 information requests submitted by the shareholders were responded to.
- Twenty domestic and foreign investor conferences were attended, and face to face meetings were held with approximately 650 foreign investors and domestic corporate investors.
- More than 225 meetings were held in the Bank's Istanbul office and roughly 400 investors/analysts were interviewed.
- Following the investor conferences attended, reports were prepared in line with the feedback obtained from the investors and presented to the top management.
- Four teleconferences about the results of the financial statements were arranged and their records were published on the English version of the website.
- Annual ordinary evaluation meetings were held with four rating institutions (Fitch, Moody's, S&P and Capital Intelligence).
- Close contact was made with all the analysts issuing reports about the Bank, correct and reliable information was given to the analysts at the report preparation stages and opinions were shared with the analysts on the prepared reports.
- In order to ensure consistency with the Corporate Governance Communiqué n.II-17.1 that entered into force after being published in the Official Gazette n.28871 on the 3rd of January 2014, all task procedures and business processes of the Investor Relations Department were reviewed. Within this scope, duties and responsibilities such as: General Assembly meeting processes, in particular, relations with all shareholders, VakıfBank Investor Relations website pages in Turkish and in English, disclosure of material matters, were taken from the related units of the General Directorate and transferred to the Investor Relations Department. At the end of these transactions, the Investor Relations Department's full compliance with the 11th Article titled "Investor Relations Section" of the Corporate Governance Communiqué (n. II-17.1) was achieved.
- It was ensured that 2014 Ordinary and Extraordinary General Assembly meetings were held within the scope and in compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué, the Bank's Articles of Incorporation and other legislations.
- With the aim of coordinating the projects regarding sustainability, secretarial office works of the Sustainability Working Group that carries out its activities under the Corporate Governance Committee were performed; meetings related to sustainability, meeting agenda and actions to be taken were determined.
- The EIRIS firm was contacted for the evaluation of the sustainability projects; transactions to be made about this subject were determined in the order of priority; and the ideas were exchanged about the reports prepared by EIRIS about VakıfBank.
- Within the framework of sustainability principle, all political documents – environment, bribery and corruption, aid and donations, employee rights – were revised in line with the contents required by the principle and the index and submitted to the approval of the Board of Directors.
- For the corporate and foreign investors, Turkey's first investor relations application in English that was prepared by the related Bank units in 2014 for iPhone and iPad users, was actualized with the name "VakıfBank IR." This application was downloaded by 2,354 users in 2014 and started to be used on tablet computers and smart phones.
- According to the "Pan-European Investor Relations Survey" made in 2014 by Thomson Reuters Extel in order to encourage and register the excellence in investor relations; VakıfBank ranked among the top five companies in Turkey in the field of investor relations, and in this field has been one of the two "the most appreciated" Turkish banks. In our country, the Turkish Investor Relations Society (TÜYİD) announced the survey results that were received with the votes of corporate and foreign investors only.

2.2 EXERCISE OF SHAREHOLDERS' RIGHT TO INFORMATION

Questions asked to the Investor Relations Department are answered, except the ones that interfere with confidential information and trade secrets, in writing or via phone calls by contacting with the most authorized person who is the addressee of the question.

Information and developments that interest the shareholders such as stock transaction, capital increase, dividend transactions, General Assembly meetings, financial statements, disclosure of material matters, are regularly communicated with the related parties via websites, newspaper ads, mails or phone calls. Mentioned developments and information are shared with the investors located abroad via e-mail. Moreover, information requests made within the activity period by the domestic shareholders about the status of their stocks, conversion transactions of the existing shares and stock sharing transactions upon death are responded in writing.

VakıfBank has two separate investor relations websites prepared both in Turkish and English. These are:

Investor Relations website in Turkish:

http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657

Investor Relations website in English:

<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

On these websites, VakıfBank's corporate information, periodical financial statements and activity reports, corporate governance information, share certificate information and announcements about developments in the bank, are available.

There is no information or disclosure in the Bank's corporate website that may have an impact on the use of the shareholders' rights.

The issue of assigning a private auditor was not regulated in the Articles of Incorporation. The provisions regarding the request of a private auditor were evaluated within the scope of the Turkish Commercial Code and Capital Markets Law. The shareholder Jilber TOPUZ's request for the assignment of a private auditor was refused by the majority of votes in 2014 Ordinary General Assembly meeting. There is no information related to this issue in the 2014 Ordinary General Assembly Meeting Minutes that can be found in the Bank's corporate website.

2.3 GENERAL ASSEMBLY MEETINGS

In 2014, two General Assembly meetings as Ordinary and Extraordinary were held in the Bank's Head Office. The 60th Ordinary General Assembly meeting was held on the 28th of March 2014 with the meeting quorum of 79.15%. Meanwhile the meeting quorum of the Extraordinary General Assembly meeting that was held on the 30th of April 2014 was 85.42%. No media organization attended the meeting.

Ordinary and Extraordinary General Assembly meetings were held as per the provisions of the "Regulation on Electronic General Assembly Meetings in the Joint-Stock Companies" and the Communiqué on the "Electronic General Assembly System ("EGAS") to be implemented in the General Assemblies of the Joint-Stock Companies." The shareholders had the opportunity to attend the General Assembly meeting on an electronic platform, express their opinions, make suggestions, and cast their votes.

In order to inform the shareholders in prior to General Assembly Meetings, the call for General Assembly, the agenda, power of attorney sample and other attached documents were publicly announced in conformity with the relevant legislation via Public Disclosure Platform, Turkish Trade Registry Gazette and at least on two newspapers (published nationwide) selected by the Board of Directors. These documents were also published in Turkish and English on the Bank's website. A minimum of 21 days prior (meeting and call dates excluded), a call for a General Assembly is made in the Central Registry Agency system for the e-General Assembly service that enables participating, making proposals and statements, and voting at the Bank's General Assembly Meeting on electronic platform. Moreover, these documents are sent to the shareholders whose up-to-date addresses are listed on the Bank's records.

The 2013 Annual Report – composed of the Bank's Balance Sheet and Profit & Loss Statements for the 2013 accounting period, Board of Directors' Activity Report, Audit Report and Independent External Audit Firm's Report – prepared for the General Assembly, was available for the information of the shareholders in the Central Registry Agency system and in all branches of the Bank before the General Assembly so that they had the opportunity to have information about and to review the Annual Report. Furthermore, in case shareholders request, Bank's branch staff will be providing them with the copies of the call for General Assembly, agenda and power of attorney samples. Shareholders, entitled to attend the General Assembly, who completed the necessary procedures did attend the Ordinary and Extraordinary General Assembly Meetings held in 2014.

The invitation letters published before the meetings contain the following information:

- Date, time and location of the meeting,
- Agenda of the meeting,
- The body inviting shareholders to the meeting (e.g. Bank's Board of Directors),
- The locations where the annual report, balance sheet and profit/loss accounts statements are available for review by shareholders in case of ordinary meeting announcements (Head Office and branches),
- Sample power of attorney for shareholders who will not attend the meeting in person.

The annual report contains information on the operations of the Bank, information on the senior management, the Bank's balance sheets, notes to the balance sheet, Independent Auditors' Report, Board of Audit Report, Board of Directors' dividend distribution proposal, with Corporate Governance Principles Compliance Report and other relevant information. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the General Assembly meeting.

All shareholders, irrespective of the size of their participating share, are entitled to speak, to express opinion and to ask questions related to the agenda items of both Ordinary and Extraordinary General Shareholders' meetings. The answers given by the Meeting Chairman and Council to the questions, suggestions and opinions, and to other issues of the shareholders – who physically and/or electronically attended the Ordinary General Assembly Meeting held on the 28th of March 2014 and the Extraordinary General Assembly Meeting held on the 30th of April 2014 – were included in detail in the General Assembly minutes. Following the General Assembly, General Assembly Meeting minutes and annexes are publicly announced via Public Disclosure Platform, Turkish Trade Registry Gazette, e-Company Information Portal and Electronic General Assembly System, and furthermore on the Bank's website.

The 39th Article of the Bank's Articles of Incorporation is as follows: "Every shareholder attending the General Assembly Meeting has the opportunity to declare his/her opinions and ask question about the agenda items, under equal circumstances and within the framework of the principles regarding the conduct of the meeting. Questions asked to the Board of Directors, are verbally answered right on the spot if possible, if not they will be answered in writing within one week following the General Assembly provided that they are necessary for using shareholders' rights and that they do not interfere with trade secrets." At the Ordinary General Assembly Meeting held on the 28th of March 2014, shareholders' questions that were not answered during the meeting were answered in writing by the Investor Relations Department within one week. Furthermore, within the scope of the Corporate Governance Principle n.1.3.5; the questions asked at the General Assembly meeting and the answers given, were published on the Bank's website within the 30 days following the meeting date.

With the letters and emails sent by the shareholder Jilber TOPUZ on different dates to the VakifBank Investor Relations Department regarding the Ordinary General Assembly Meeting held on the 28th of March 2014, request was made for adding an item to the General Assembly agenda regarding the following issues:

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- Selling VakıfBank's 34.22% shares in Güneş Sigorta A.Ş.,
- Making rights offering in order to strengthen VakıfBank's capital,
- Authorizing the Board of Directors so that VakıfBank shares are repurchased by the Corporation within the scope of the Capital Markets Board "Communiqué on Repurchased Shares,"
- Determining an upper limit for the donations and aid to be made in 2014.

These requests were rejected with the decision (n.85464, Date: February 28, 2014) of the Board of Directors of the Bank since they were not in line with the Bank's strategies and privileges.

Furthermore, an item was already on the General Assembly agenda (Agenda Item n.12) regarding the request made by the shareholder Jilber TOPUZ for adding an agenda item about the issue of "what the amount of donations/aid was in 2013 and who the beneficiaries were". Within the scope of the mentioned Agenda Item, shareholders were informed about the amount of the beneficiaries and donations/aid made in 2013.

In 2014, there were no requests made by the shareholders for adding an item to the agenda of the Extraordinary General Assembly Meeting.

In addition in 2014, there were no transactions left to the General Assembly for resolution due to the majority of the independent Members of the Board of Directors not casting affirmative vote.

In 2014, shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Bank or its associate companies which may lead to conflicts of interest. Furthermore, the aforementioned persons did not make any transaction, related to a commercial business that is within the scope of the Bank's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

2.4 VOTING AND MINORITY RIGHTS

The provisions regarding voting rights of the shareholders and the use of these rights are stipulated in the Article 30 of VakıfBank Articles of Incorporation. As per the Articles 43 and 48 of the Bank's Articles of Incorporation; group (A), (B) and (C) shareholders have the privilege to nominate in the election of the Board of Directors while group (A) and (C) shareholders have the privilege in the election of the Audit Committee.

Bank shares are divided into Class (A), (B), (C) and (D) group. The nominal values and voting rights of the share certificates of all classes are equal. Class (D) consists of publicly traded shares.

Shareholders who hold or represent 10 shares are entitled to one vote at the General Assembly meetings while those who hold more than 10 shares are entitled to a number of votes calculated as per the proportion specified above without any limitation.

In VakıfBank's capital, there is no reciprocal shareholding relationship. The use of the minority rights is subject to Turkish Commercial Code, Capital Markets Law, relevant legislation and to the communiqué and resolutions of CMB.

2.5 DIVIDEND RIGHTS

There are no provisions in the Bank's Articles of Incorporation that stipulates privileges in participating in profit sharing. The principles regarding the profit distribution of VakıfBank's shares are stipulated in the Articles 82, 83, 84, 85 of the Bank's Articles of Incorporation.

Each year, Board of Directors of VakıfBank submits its proposal on profit distribution to the General Assembly and to the Shareholders' information via annual report prior to the General Assembly meeting. The proposal of the Board of Directors regarding profit distribution is discussed and resolved at the General Assembly.

Profit distribution procedures were completed within the legal timeframe in line with the decision taken by the General Assembly about distributing 2013 Profit and necessary notifications were made to the public authorities. Furthermore, the relevant decision was publicly announced on the same day via Public Disclosure Platform.

In profit distribution, a balanced policy is pursued between the benefits of the shareholders and partnership.

With the aim of complying with the Corporate Governance Principle n.1.6.1., in 2014, the Board of Directors of the Bank established a "Profit Distribution Policy" and published the document in Turkish and English on the corporate website. The "Profit Distribution Policy" will be submitted to the approval of the shareholders at the first General Assembly that will be held and full compliance will be achieved with the Principle.

2.6 TRANSFER OF SHARES

All Bank shares are registered shares and are divided into Class (A), (B), (C), and (D) groups.

The Council of Ministers is entitled to sell and to determine the procedures and principles of the sale of Class (A) shares of the Bank and the Class (B) shares held by the attendant foundations under the General Directorate of Foundations.

The Bank's Articles of Incorporation do not include any provisions to restrict the transfer of Class (B) shares held by other attendant foundations and of Class (C) and (D) shares.

However, the Bank's Board of Directors is authorized to convert Class (B) shares held by attendant foundations (subject to permission by the General Directorate of Foundations) and Class (C) shares into Class (D) shares at the request of the Shareholders.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 BANK WEBSITE AND ITS CONTENT

VakifBank's websites both in Turkish and English are available at the URL of www.vakifbank.com.tr.

Bank's website is in compliance with the CMB's Corporate Governance Communiqué (n.II-17.1; date: 03.01.2014) principles n.(2.1.1), n.(2.1.2), n.(2.1.3) and n.(2.1.4) regarding corporate websites. Most of the announcements made by the Bank via Public Disclosure Platform are translated into English and published on the webpage. Furthermore, it is made sure that the English version is consistent with the Turkish version and is prepared in a manner that will be correct, complete, direct, comprehensible, and sufficient enough for the persons who will make use of the announcement to make a decision.

3.2 ANNUAL REPORT

Bank's Annual Report is in compliance with the CMB's Corporate Governance Communiqué (n.II-17.1; date: 03.01.2014) principles n.(2.2.1) and n.(2.2.2) regarding Annual Report.

CHAPTER IV - STAKEHOLDERS

4.1 DISCLOSURE OF INFORMATION TO STAKEHOLDERS

VakifBank stakeholders are informed regularly about the issues deemed necessary, through press releases, press conferences, interviews, activity reports, news on the website, announcements and various meetings.

In order to ensure accurate and reliable flow of information, the Investor Relations Department prepares presentations regarding the financial statements disclosed each quarter, shares these presentations with the investors via website and e-mail and also announces them through live teleconferences. The unit, by attending the investor meetings organized by the investment companies, shares the developments related with the Bank and the sector and answers any type of related question and request over the phone or via e-mail on a daily basis. On the Bank's website; necessary technical infrastructure was built in the "Sorun Çözelim" section for the Bank customers' information requests, comments or complaints about the Bank's services and products. Information requests, suggestions and complaints of customers about the Bank's products and services as well as the problems of customers are resolved by all relevant units of the Bank in the most effective manner.

In order to speed up stakeholders' access to information, and to facilitate Corporate Governance Committee's access to the Bank's transactions that are contrary to legislation and that are ethically not appropriate, mail addresses surdurulebilirlik@vakifbank.com.tr and sustainability@vakifbank.com.tr were made available and presented for the information of the stakeholders on the corporate website in the Investor Relations section.

The Information System Portal was built in order to provide information to Bank employees. All announcements are made on this intranet portal that is an internal information sharing system. At different locations employees can have immediate and effective access to the information they're looking for due to the fact that all internal information is available on the system. In this manner, as employee satisfaction increases, time and energy loss is prevented, as well. The aim is to achieve cost saving and faster communication with the help of this portal.

The oversight of the existing control mechanisms for the compliance of the transactions performed by VakifBank with the relevant legislation, banking practices, Bank's internal policies and ethical principles, is done by the Compliance Directorate with the coordination of Audit Board Department, Internal Control Department and Risk Management Department.

The scope of the compliance function consists of: tracking of the compliance risks that may arise from the international regulations, in the foreign branches and consolidated partners of VakifBank, performing necessary tasks in order to continuously increase the compliance awareness and culture within the Bank. The Audit Board is directly informed about the results of the activities carried out regarding the compliance function.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4.2 STAKEHOLDER PARTICIPATION IN MANAGEMENT

VakifBank takes utmost care of its employees and all the stakeholders the Bank aims to meet the expectations of its internal and external customers by improving the quality of its products and services: In order to achieve this aim, it designs all its systems in a manner that they can be continuously improved.

VakifBank pays utmost attention that its employees play an effective role at the production stage of new products and services. With an e-mail address created in the Bank, employees are given the opportunity to state their opinions within the scope of the new product development. The presented opinions, after being evaluated by the departments of the Head Office, can be brought to the project stage. If necessary, the Bank also provides information to the stakeholders who are not Bank employees, about the issues that concern them via e-mail, phone and other communication channels.

The Bank established the unit called Customer Problems Solution Center, accessible via the Internet, to ensure customer satisfaction. All suggestions, complaints or positive feedback about the Bank's products and services are communicated to the relevant department via email. Additionally, customers can perform all banking transactions through a direct call to VakifBank 7/24 branch at 0850 0 222 0 724.

4.3 HUMAN RESOURCES POLICY

Within the scope of the sustainability efforts, the "Human Rights and Employee Rights Policy" that fulfills the requisites of the principle n.3.3.1 of the Corporate Governance Communiqué (II. 17.1) was made available for the information of the stakeholders on the corporate website.

Making maximum use of its existing human resources with its HR practices in order to reach its targets, the Bank also aims to maintain the labor peace with the equal opportunity working environment it provides to its staff.

In this context, the growth strategy followed by considering the increasing competition in the banking sector, through its existing HR policies the Bank supports its employees' development, and prioritizes the issue of creating motivation and job satisfaction. The Bank also aims to maximize employee loyalty and happiness.

The main principles of the Human Resources policy carried out by the Bank are given below:

- Creating and maintaining a working environment that will increase the motivation and efficiency of the Bank employee,
- Prioritizing the concept of gender equality in performing the policy and procedures of the Bank without discriminating among the female-male employee members, and thus providing a working environment where all employee members have equal opportunities and labor peace,
- Maintaining a permanent working environment open to communication at all levels,
- Evaluating employees' success and performance at work, encourage them, maintaining their moral and motivation at the highest level,
- Considering the material and moral interests of the employees' and pursuing, maintaining, developing a fair wage policy where equal wages are given for equal jobs without making any gender discrimination,
- Developing their knowhow and skills through training programs given to the employee within the Bank,
- Cultivating its employee in line with their career targets within the framework of the Bank's training policy,
- Taking necessary measures to increase health, safety, and welfare of the female/male employee members, and increasing their loyalty to the Bank,
- Providing the employees with opportunities to get title promotions on the basis of female male equality, and contributing to improving their management and leadership skills with the new responsibilities given,
- Creating high motivation by developing individual and professional competencies of the employee and strengthening their loyalty to the Bank,
- Keeping track of the modern HR practices and developments, adapting the latest HR practices in the Bank's system and making them practicable.

The criteria regarding the employee that will be employed in the Bank are specified in the Bank Employee Directive, and the recruitment process is carried out in line with the principles stipulated in the relevant legislation.

In the recruitment process carried out to meet the need for employee, candidates can start working for the Bank as an assistant auditor, assistant financial analyst/associate and officer. Special attention is paid to make sure the employee that will be working in the Bank have a bachelor's degree in banking from a 4-year department of well-known universities of Turkey as well as having a postgraduate degree and knowledge of foreign language.

Considering the lack of permanent staff in the Units/Branches, and the need for authorized employee in the existing/future Branches/Units employee, and probable retirements, resignations and the like, promotion exams are made in accordance with the Bank Employee Directive's relevant clauses that regulate promoting.

The aim is to create a structure based on the specialization of the staff members in line with their competencies and thus to determine their career steps by taking their performance measurements and trainings into consideration. Making evaluations with an organizational approach that cultivates its managers/executives, and monitoring the employee members who have the competencies necessary for the job, and making sure that they are cultivated for executive positions.

To this end, efforts are made to increase the corporate (employee) loyalty, and to create an organization where activities are carried out adopting the corporate culture.

The performance process is continuously reviewed and improved as the performance measurements of branches and regional directorates are made; performances are fairly and objectively evaluated; bonuses are paid to staff members depending on their performances.

Training programs inside and outside the Bank are carried out to improve the competencies of the staff and to ensure that the employees are specialized in their jobs in line with their career plans through the approach targeting continuous learning, innovation and perfection.

Moreover, the Training Department provides orientation trainings within the scope of special programs for novice assistant auditors, assistant financial analysts/associates and officers in order to help them get adapted to the Bank and in order to make sure that the corporate culture is adopted. Employee members are informed about their job descriptions and distribution as well as performance and awarding principles.

The Bank's staff works in accordance with the provisions of private law, and is recruited in conformity with the provisions of the Labor Law n.4857 currently in effect. Bank employees are "Turkish Bank and Insurance Company Employees Union" (BASS) members, and thus working conditions of the employees are determined with the collective bargaining agreements between the Bank and the union. Currently, CBA for the 21st Period between 01.05.2013 and 30.04.2015 is in effect.

Relations between the employees and employers are carried out by the directors and representatives of the abovementioned unions. The union representatives forward the requests and complaints of the employees of the Bank about working conditions, personal rights, duties and responsibilities to the employers and monitor the process.

Furthermore, there are union representatives, elected among the staff working in the Bank's Unit/Branches, (i) who should monitor whether or not the Collective Bargaining Agreement and the laws in force about the union members are practiced in line with their purposes and, (ii) who should verbally or in writing inform the director of that workplace about the insufficiency and discrepancy they detected in these issues.

To date, there has not been any complaint from the employees about any discrimination issues. The names, surnames and duties of the directors of the abovementioned unions are given below.

Name-Surname	Position
Turgut YILMAZ	President
Mustafa EREN	Secretary General
Salih KALFA	Secretary General-Finance

4.4 ETHICAL RULES AND SOCIAL RESPONSIBILITY

Pursuant to its objectives of protecting stability and reliability in the banking sector by preventing unfair competition, improving service quality and maintaining the reputation of the banking profession before the public, the Board of Directors adopted the Bank's Banking Ethical Rules, issued by the Banks Association of Turkey with Board resolution numbered 74205, dated February 16, 2006, and the Bank has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006. Business Ethics in Banking (Code of Ethics) is available in Turkish and English on the Bank's website. Assuring to comply with the Business Ethics in Banking, VakıfBank has adopted the principle of contributing to social life at the maximum level. In line with the influence of the "foundation heritage" in its roots and the image of "Compassionate Bank", the Bank carried out important projects in the fields of sponsorship and social responsibility also in 2014. Contribution was given to a wide range of activities of education, sports, culture and arts publishing, international organizations and social responsibility projects.

Having given uninterrupted support to volleyball for 28 years, also this year VakıfBank continued its support to volleyball. The Bank continued to support National Volleyball Women's Teams and VakıfBank Volleyball Women's Team as the main sponsor. VakıfBank Sports Club became the Turkish champion in the categories A, Juniors and Stars while VakıfBank A Team won the Turkish Cup and Turkish Super Cup besides playing in the European Champions League Final. Furthermore, the VakıfBank Sports Club made it into the Guinness World Records with its 73 winning-streak for having "the most consecutive volleyball victories in all competitions".

Moreover, the National Volleyball Women's Teams sponsored by VakıfBank became the European League champions for the first time in their history, and successfully represented our country in the World Grand Prix Finals and World Cup.

Carrying its support for sports and education to schools all across the country, VakıfBank has provided a great number of schools with sports equipment and stationery materials by its own means and by means of the sports club and has also sponsored and hosted numerous international national organizations.

Continuing to support arts also in 2014, VakıfBank gave many painters the opportunity to exhibit their works in the galleries in Ankara and İstanbul. Moreover, Turkish Folk Music and Turkish Classical Music choruses formed within the Bank continued their activities throughout the year, while these activities and concerts were supported by VakıfBank.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER V - BOARD OF DIRECTORS

5.1 STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Name - Surname	Position	Start Date of Position
Ramazan GÜNDÜZ	Board Member, Chairman (C)	29.03.2013 06.04.2009
Mehmet Emin ÖZCAN	Independent Board Member (D) Board Member Vice Chairman Credit Committee Member Audit Committee Member	29.03.2014 29.03.2013 29.03.2013 05.04.2013 04.04.2014
Halil AYDOĞAN	General Manager - Executive Board Member - Ordinary Member	29.03.2013
Ismail ALPTEKİN	Independent Board Member (A) Remuneration Committee Member Corporate Governance Committee Member	06.04.2009 03.01.2013 07.04.2009
Halim KANATCI	Board Member (A) Credit Committee Member Corporate Governance Committee Member	28.04.2009 03.01.2013 17.12.2013
Dr. Adnan ERTEM	Board Member (A) Remuneration Committee Member	28.10.2010 06.04.2012
Öztürk ORAN	Board Member (A) Corporate Governance Committee Member Credit Committee Substitute Member	30.04.2012 08.05.2014 08.05.2014
Şeref AKSAÇ	Board Member (B) Remuneration Committee Member Credit Committee Substitute Member	30.04.2014 08.05.2014 08.05.2014
Sabahattin BİRDAL	Independent Board Member (C) Audit Committee Member	31.03.2014 04.04.2014
BOARD OF AUDITORS		
Mehmet HALTAŞ	Audit Board Member (A)	19.03.2010
Yunus ARINCI	Audit Board Member (C)	19.03.2010

Pursuant to the regulations of the Banking Regulation and Supervision Agency, the Chairman of the Board of Directors does not have executive tasks and duties. The General Manager Halil AYDOĞAN is an executive member of the Board of Directors. There are no other executive members in the Board of Directors except the General Manager. The term of office of the members of the Board of Directors three years. Members completing their term of office can be reelected. Résumés of the Members of the Board of Directors are included on pages 68, 69 and 70 of the Annual Report.

As per the regulations of the Capital Markets Board regarding the Corporate Governance Principles, the number of the independent members of the Board of Directors is three. The report dated 28.01.2014 includes the Independence Statements of İsmail ALPTEKİN, Sadık TILTAK and Ali Fuat TAŞKESENLIOĞLU, declaring that they do have the independency criteria, and that they are independent within the framework of the criteria stipulated in the legislation, the Bank's Articles of Incorporation and the relevant communiqué of the Capital Markets Board. The names of the Independent Members were submitted to the Board of Directors on 29.01.2014. At the Ordinary General Assembly of the Bank, the abovementioned persons were elected as Independent Members of the Board of Directors.

However, the Independent Member of the Board of Directors Mr. Ali Fuat TAŞKESENLIOĞLU and Mr. Sadık TILTAK resigned from their positions in the Bank on the 7th of February 2014 and on the 31st of March 2014, respectively. Mr. Sabahattin BİRDAL was elected as the Group C Independent Member of the Board of Directors for the vacant position of Mr. Sadık TILTAK to complete his term of office and to be submitted to the approval of the first General Assembly to be held. At the Extraordinary General Assembly Meeting of VakıfBank held on the 30th of April 2014, Mr. İsmail ALPTEKİN, Mr. Sabahattin BİRDAL and Mr. Mehmet Emin ÖZCAN were elected as Independent Members of the Board of Directors.

Independent Members of the Board of Directors do have Independence Statements, and there is no breach of independence as of the relevant activity period.

Duties of the Members of the Board of Directors outside the Bank within the Group:

Name - Surname	Subsidiary	Position in the Subsidiary
Ramazan GÜNDÜZ	Vakif Finansal Kiralama A.Ş.	Chairman
Mehmet Emin ÖZCAN	VakıfBank International AG Vakıf Finansal Kiralama A.Ş.	General Assembly Chairman Deputy Chairman
Halil AYDOĞAN	Güneş Sigorta A.Ş. Taksim Otelcilik A.Ş. TSKB A.Ş.	Chairman Chairman Board Member
Halim KANATCI	Vakıf Yatırım Menkul Değerler A.Ş. Vakıf Emeklilik A.Ş.	Chairman Deputy Chairman
İsmail ALPTEKİN	Vakıf Gayrimenkul Değerleme A.Ş. Güneş Sigorta A.Ş. Taksim Otelcilik A.Ş.	Chairman Deputy Chairman Board Member
Dr. Adnan ERTEM	Vakıf Emeklilik A.Ş.	Chairman
Öztürk ORAN	Vakıf Menkul Kıymet Yat. Ort. A.Ş. Vakıf Gayrimenkul Yatırım Ort. A.Ş.	Chairman Deputy Chairman
Sabahattin BİRDAL	Vakıf Finans Factoring Hizm. A.Ş. Vakıf Gayrimenkul. Yat. Ort. A.Ş.	Chairman Chairman

Outside the Bank and the Group Member of the Board of Directors Dr. Adnan Ertem is also the General Manager of the Directorate General of Foundations, Member of the Board of Directors of the Social Aid Fund Board, Member of the Board of Directors of Supreme Council of Antiquities and Monuments, Member of the Board of Directors of Recep Tayyip Erdoğan University Foundation, Member of the Board of Directors Bezmi Alem University Foundation, Member of the Board of Directors Kuveyt Türk Katılım Bankası and Chairman of the Board of Directors of Press Advertising Institution.

Outside the Bank and the Group Member of the Board of Directors Öztürk ORAN has continued his career since 2003 as the Chairman of the Board of Directors of the pharmaceutical companies where he also is a partner. He is a Member of the Board of Directors and a Council Member in Istanbul Chamber of Commerce. He also is a Member of the Board of Directors of the World Trade Center.

The fourth paragraph of the 60th Article of the Bank's Articles of Incorporation is as follows: "Without getting approval from the General Assembly, Members of the Board of Directors cannot perform any transactions related to a commercial business that is within the scope of the Bank's field of activity, for their own account or for the account of others, or cannot become unlimited partners in other companies carrying out similar commercial businesses."

Within this scope, without getting permission from the General Assembly of the Bank, the Members of the Board of Directors cannot directly or indirectly make any transactions with the Bank on behalf of themselves or others and cannot be executive members in a corporation making transactions with the Bank. Furthermore as per the Banking Law n.5411, Members of the Board of Directors who assume tasks in the Audit Committee do not have any tasks/duties/positions in the non-consolidated subsidiaries.

5.2 OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

Board of Directors must convene at least twice a month upon the call made by the Chairman or at least two members in line with the necessity of the Bank affairs. However, if there are not any issues on the agenda, the meeting can be postponed only for one time with the approval of the Chairman (Article 53 of the Bank's Articles of Incorporation). Meeting agendas are prepared according to the memorandums sent from the Head Office departments while various reports the Board of Directors requested from the management and various issues presented by the Board Members are discussed during the meeting. The agenda and relevant files are presented to the members prior to the meeting.

Informational and communication activities for the Members of the Board of Directors of the Bank are carried out by the Board of Directors Administrative Department. In 2014, 29 Board of Directors meetings were held. All opinions or oppositions of the members during the Board of Directors meetings are recorded in the minutes. Members of the Board of Directors did attend the Board Meetings except in cases they had excuses. Decisions were made unanimously. All questions, opinions and objections of the Members during the Board of Directors Meeting are recorded in the meeting minutes.

Each Member of the Board of Directors has one right to vote, and members do not have weighted right to vote and/or negative veto right.

At the Board of Directors Meetings, majority of the Members must be present. Decisions are taken by majority of the attending members. In case of equality of votes, the voted issue will be added on the agenda of the next meeting; and will be deemed refused in case of equality for another time in that meeting (54th Article of the Articles of Incorporation of the Bank).

In the Board of Directors' decisions regarding the Bank's significant related party transactions, approval is required by majority of the Independent Members. In case any such transaction is not approved by the majority of the Independent Members, (i) the situation will be publicly announced within the framework of public disclosure regulations in such a manner that will include sufficient information regarding the transaction; and (ii) the transaction will be presented to the approval of the General Assembly. Board of Directors' decisions that are not made in conformity with the specified principles will not be valid (54th Article of the Articles of Incorporation of the Bank).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

An electronic meeting system was established to enable the Members of the Board of Directors of the Bank to attend the meetings and to vote on electronic platform.

Losses incurred by the members of the Board of Directors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insurance 2014 policy's total value is USD 20,000,000 for each damage within the term of the policy.

5.3 NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee were established by the Board of Directors in accordance with Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervision Agency (BRSA), the Corporate Governance Principles issued by the Capital Markets Board (CMB) and pursuant to the Bank's Articles of Incorporation. Chairmen of the Committees are Independent Members. Since there are no executive members in the Board of Directors except the General Manager, Committee Members are composed of non-executive Members.

The Audit Committee is composed of the Independent Members of the Board of Directors; Mehmet Emin ÖZCAN and Sabahattin BİRDAL who were appointed on 04.04.2014. The Audit Committee convenes at least once a month on the specified date.

Credit Committee is composed of two permanent members and General Manager. Permanent members are Mehmet Emin ÖZCAN and Halim KANATCI. There are two substitute members for a member who will not attend a meeting. Substitute members are Şeref AKSAÇ and Öztürk ORAN. The Credit Committee generally convenes once every 15 days, and holds an extraordinary meeting in urgent cases. The Committee's meeting date is set by the Chairman according to the number and urgency of the agenda items that are received by the meeting secretary.

The Corporate Governance Committee is composed of the Members of the Board of Directors İsmail ALPTEKİN (Committee Chairman - Independent Member), Halim KANATCI, Öztürk ORAN and Head of International and Investor Relations Mustafa TURAN.

The Committee generally convenes once every three months or at minimum twice in a year on semi-annual basis on a date determined by the Committee Chairman.

The Remuneration Committee was established on January 26, 2012; the members of this Committee are İsmail ALPTEKİN (Independent Member), Dr. Adnan ERTEM and Şeref AKSAÇ.

Committees carry out their duties within the scope of the working principles specified in the Bank's Articles of Incorporation. Furthermore, the procedures and principles committees follow while carrying out their activities is announced in the Annual Report. The number of the Members the Board of Directors of the Bank is nine. Board Members assume duties in more than one committee since the number of the members of the committees of the Board of Directors is greater than the number of the members of the Board of Directors as stipulated in the principles of the Capital Markets Board Corporate Governance Principles and Banking Regulation and Supervision Agency.

5.4 RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

As per the 23, 24, 29, 30, 31, 32 of Articles of the Banking Law, in order to monitor the risks they confront and to maintain control, banks are obligated to establish and operate sufficient and effective internal systems that cover all branches and units, and consolidated partners comply with the scope and structure of their activities are appropriate for changing conditions.

Within the framework of the provisions of the "Regulation on the Internal Systems of the Banks and Internal Capital Adequacy Evaluation Process" issued by the Banking Regulation and Supervision Agency on the 11th of July 2014 in the Official Gazette n.29057, Internal Control activities are carried out covering all domestic and international branches and Head Office departments of the Bank, and its consolidated partners while operational controls regarding the activities of the Bank cover the controls over the Bank's communication channels, information systems, financial reporting systems, implementation of the business processes and compliance controls.

Internal Control activities are carried out under the supervision and control of the Audit Committee in order to protect the Bank assets, to properly, effectively and efficiently carry out the activities in conformity with the Banking Law and other relevant legislations, and with the internal policies, principles and practices of the Bank, to ensure the reliability and integrity of the accounting and financial reporting system and to promptly provide information.

Effectiveness of the Internal Control system is monitored in a proactive manner via financial, operational and other control points, and either the system is improved or measures are taken against new risks or unobserved/unidentified risks.

Compliance with the Bank's internal policies and guidelines and potential risks are evaluated within the framework of the Banking Law and other relevant legislation prior to all activities that are carried out or that will be carried out by the Bank and new transactions and implementation of the processes and systems created regarding these activities and transactions. Suggestions are made to projects created by the Bank's units, necessary control points are determined and effective controlling and monitoring is made by ensuring that the effectiveness of control activities is improved, the auto-control mechanisms are enhanced and operational risk are reduced.

In order to effectively and efficiently conduct the compliance process, Compliance Department carries out its activities and fulfils the legal prerequisites in conformity with the provisions of the "Regulation Regarding Banks' Internal Systems" and legislations and "Law No. 5549 Regarding Prevention of Laundering Proceeds of Crime." Furthermore; Legislation Monitoring and Evaluation Department established upon the Board of Directors decision n.85920 taken on 03.07.2014; keeps track of the up to date legislations concerning the banking activities and thus ensures that the Bank complies with the amendments made to the legislations.

As per the "Regulation on the Supervision of the Bank Information Systems and Banking Process and Circular on the Governance Statement" stipulated by the Banking Regulation and Supervision Agency, the management statement was prepared – to be presented to the independent auditor on January, 2014 – by the Bank for the 2013 audit period by examining the internal controls on the bank information systems and banking processes within the scope of importance, compliance, effectiveness, and sufficiency.

The Board of Directors is responsible to establish and operate internal systems effectively, sufficiently and properly in conformity with the "Regulation on Banks."

Within this scope, Board of Auditors, Internal Control Department and Risk Management Department have been established, whose duties and responsibilities were clearly specified so that they work in coordination with each other without having any conflicts of tasks and duties.

The Risk Management Department structured under the Board of Directors by the Audit Committee Members, carries out its activities within the framework of national legislation and international regulations and standards.

5.5 STRATEGIC TARGETS OF THE COMPANY

The general strategies of the Bank are determined in line with the expectations on the economy and sector at the meetings chaired by the General Manager with the participation of the executive managers. Forecasts regarding the annual projection in line with the strategies and business plans are received from the business units of the Bank and the business plans along with data received from units are evaluated by the management. Consequently, strategies of the Bank, annual projections and business plans are presented by the Strategy Development Department to the approval of the Board of Directors. The final version of the approved projections and strategies are forwarded to the Executive Vice Presidents of the Bank and announced to the Bank staff. Information regarding these projections and strategies are assessed at the monthly held "target achievement performance" meetings by the Assets and Liabilities Committee according to the data received from the Performance Evaluation and Career Planning Department. Furthermore, at the periodically held meetings these strategies and projections are reviewed while target achievement performance and activities are evaluated and necessary actions are taken.

5.6 BOARD OF DIRECTORS REMUNERATION

The Chairman, Vice Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually and that is implemented with the approval of the Prime Minister. This issue specified in the minutes to the General Assembly, is available on the Bank's website.

The third paragraph of the 60th Article of the Articles of Incorporation of the Bank is as follows: "Members of the Board of Directors who are not shareholders and Members of the Board of Directors' relatives who are not shareholders specified in the 393rd Article of the Turkish Commercial Code cannot borrow cash from the Bank. For these persons, the Bank cannot give surety, guarantee and collateral, cannot assume responsibility, and cannot take over their debts." Within this scope, the Bank did not lend any money or extend loans to any of the Members of the Board of Directors. It did not improve the terms for loans or credits that have been given to the Members of the Board of Directors, and neither it extended loans by means of third persons and nor gave any collaterals.

With the aim of complying with the principle n.4.6.2, the Board of Directors of the Bank established a "Remuneration Policy" within the period and published the policy document in Turkish and English on the website. The policy was submitted for the information of the shareholders at the 2014 Ordinary General Assembly Meeting.

Yours sincerely,



İsmail ALPTEKİN

Corporate Governance Committee
Chairman



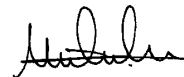
Halim KANATCI

Corporate Governance Committee
Member



Öztürk ORAN

Corporate Governance Committee
Member



Mustafa TURAN

Corporate Governance Committee
Member

STATUTORY AUDITOR'S REPORT

To the General Assembly of Shareholders of Türkiye Vakıflar Bankası T.A.O:

This audit report was prepared pursuant to the provision of Article 44 of Türkiye Vakıflar Bankası T.A.O. Articles of Incorporation.

While the Bank is eligible for the auditing performed by the Supreme Audit Institutions, the Bank's external auditing is made routinely by the Court of Accounts and the Banking Regulation and Supervision Agency ("BRSA"), and also by the independent auditor as per the Article 43 of the Bank's Articles of Incorporation.

In the current period, the Bank increased its assets by 17% and reached TL 158,217,726 thousand while increasing its loans - that have the most important portion in the assets with 66% - by 21% and reached TL 104,583,517 thousand. Moreover, the Bank increased its deposits by 13% and reached TL 91,756,968 thousand in this period. As a consequence of these growing figures, the Bank increased its profit higher than the sector by 11% and made TL 1,753,273 thousand profit.

In this period, with the 34 new branches the number of domestic branches reached 890. Thus, the total number of employee is 14,920. Moreover, in line with the issue on providing continuous training to the employees, it was observed that the employees attended internal on-the-job training sessions as well as domestic and international training programs organized by institutions other than the Bank.

The included financial data related with the annual activities of the Bank was reflected in compliance with the procedures and principles in force within the frame work of the Banking Law n.5411, Turkish Commercial Code n.6102, Capital Markets Law n.6362, generally accepted accounting principles, relevant legislation and the Regulation of Internal Systems.

Internal auditing of the Bank: is made by the Audit Board Department, Internal Audit and Risk Management Departments.

It was concluded that: the Bank had an annual audit plan with regard to the on-site audits conducted in the Bank covering 890 domestic branches, 3 overseas branches, Head Office units and consolidated subsidiaries; and these audits were conducted within the framework of the audit standards including the inspection of the operational transactions to carry out the Bank operations, of the Bank's communication channels and information systems, of the financial reporting systems, of the implementations for the business processes and of consistency.

Within the framework of the auditing activities, in general terms and briefly:

- Within the scope of the audits conducted on-site; it was concluded that, the internal audit units, primarily detected the risks the Bank encountered, performed controls related with these risks, determined the fields that necessitate priority, specified the details that had to be taken into account and performed risk assessments;
- Furthermore, it was concluded that, after the regularity of the audit (yearly for the Head Office Departments, overseas branches and subsidiaries and monthly for the branches) was determined, it was submitted to the approval of the Audit Committee;
- Upon the starting of the audit process in the branches/departments, the data included in the audit program determined for the branches/departments was in a short time assessed by the auditors conducting the audit and the audit process was systematically conducted on the risky matters and on the fields subject to the audit;
- Within the scope of the centralized audits; it was concluded that; the Bank's transactions and processes were controlled periodically with the determined risk control matrixes; specific risk points were monitored daily, weekly and monthly during the year through the inquiries created by the central audit team; detected findings were analyzed in detail at the branches/departments by the auditors on the field and the conclusions reached after the control of the physical documents were reported via the central audit system;
- Within the scope of the management statement activities; it was concluded that; with regard to the information systems and banking processes, by performing tasks for increasing the effectiveness of the control processes through manual and systematic control points covering the operations of all the departments, the findings were presented to the related departments with the aim of setting action plans for the control deficiencies; the management statement, after being evaluated regarding its effectiveness, competency and consistency in terms of audit period, was prepared with the purpose of ensuring safety regarding the current situation and audit activities conducted; during the audit period, even if it was not at an important level, all the abuses (if any) involved by the Bank employee were reported;
- Within the scope of the audits made on the information systems; it was concluded that, taking into account the banking processes as well, the auditing of the information systems (such as applications, systems, servers, databases) which were used in these processes, was made, taking into consideration the framework of the Cobit processes, during the audit, it was monitored whether or not the information systems, related documentation and their control mechanisms were set, the procedures regarding the testing and assessment of the controls within the framework of the importance principle of design and operating effectiveness, were monitored during the audit, the actions taken for the findings discovered in consequence of the leak testing, were monitored during the audit, Within the scope of the regulation with regard to the procurement of support service by the Banks; it was concluded that the assessments were performed regarding the compliance of the firms that the Bank purchased support services from, with the specified terms and conditions;
- Within the scope of the consistency controls; it was concluded that; the legislative amendments were monitored and practices were performed to find out whether the Bank complies with these amendments or not; transactions carried out in the Bank were inspected through the programs and controlled in line with the Financial Crimes Investigation Board (MASAK);
- Within the scope of the Risk management processes; it was concluded that; the audit practices were performed for the Bank's internal and external reporting systems which had impacts on the Bank's capital adequacy ratio.

All these issues were shared with the Bank's Senior Management.

As a consequence; it was observed that the Bank's audit mechanisms function efficiently and strict attention was paid to keep any risky and fraudulent transactions under control through the continuous on-site audits performed by the internal control units as well as on-site and centralized audits performed by the Bank's internal auditors, in addition to the external audits. In 2014, the issues identified by the internal control units were presented in the Management Statement which was prepared in compliance with the Communiqué of BRSA and submitted to the aforementioned Organization (BRSA) after being approved by the Board of Directors.

Yours sincerely,

Mehmet HALTAŞ
Audit Member

Yunus ARINCI
Audit Member

ASSESSMENT OF THE INTERNAL SYSTEMS AND 2014 OPERATIONS

INTERNAL AUDIT OPERATIONS

The Board of Auditors performs audit activities in order to discover whether or not the operations of the Bank's Head Office departments, domestic and overseas branches, consolidated subsidiaries, information technology (IT) departments are conducted in line with the Banking Law and other legal regulations, together with the internal legislation, strategies, policies, principles and targets of the Bank; regarding the accuracy of the fiscal data, the competency of the implementations for the protection of the assets, the effectiveness of the internal controls and risk management systems; within the framework of the relevant legislation, at the firms which the Bank gets support services from. In addition, inspection and investigation are performed on the fraudulent and non-complying (with the legislation) transactions of the staff members and on the fraud, scam or forgery made by third parties against the Bank.

The Audit Board conducts audit activities (on-site, centralized, information systems and process audits) with a risk-based auditing approach.

On-site auditing is made at the departments, branches, consolidated subsidiaries and at the firms which the Bank gets support services from, in line with the Bank's targets and strategies and within the scope of the risk-based annual audit plan prepared considering the resources of the Audit Board.

Within the scope of the centralized auditing; by early detecting the conditions with potential risks in the branches and departments, computer-aided remote auditing techniques (e-auditing techniques) are used for taking measures on time.

Within this framework of the auditing activities on the information systems and the processes; the auditing of the controls on the information systems and the banking processes is made.

In addition, the accuracy of the data used in the Internal Capital Adequacy Evaluation Process Report, the adequacy of the systems and processes and the issue whether the data, systems and processes give accurate information and chance to make analysis or not, are audited by the Head of Audit Board within the framework of the procedures and principles that will be determined.

In consequence of the audits, inspections and investigations made by the Audit Board; proposals are made for the correction of the detected issues, for taking measures in order not to face again with the similar situations, for enhancing the processes and for improving the internal control system, and the actions taken regarding these issues are followed-up.

The Audit Board only provides an advisory service in the issues requested by the Bank and this does not mean these issues are being approved.

The Audit Board Chairmanship makes contributions to the professional development of the auditors via training opportunities provided inside and outside the Bank and supports them to obtain the required certifications. By this means, at the same time, the Department tries to provide the well qualified and educated human resources to the Bank.

INTERNAL CONTROL OPERATIONS

Internal Audit; as per the regulation on "Banks' Internal Systems and Internal Capital Adequacy Evaluation Process"; the Internal Control system is structured to make sure that: (i) the Bank's assets are protected, (ii) the Bank's activities are carried out effectively and efficiently in conformity with the Banking Law and other relevant legislations, the Bank's internal policies and rules, and banking practices, (iii) the accounting and financial reporting system's reliability and integrity is maintained, and (iv) information is promptly obtained.

Operational transaction controls on the Bank's activities, controls on the Bank's communication channels and information systems, financial reporting system controls, business process controls and compliance controls are performed. Centralized or on-site control activities are carried out covering all branches of the Bank in and outside country and the units of the Headquarters. In a manner covering new or unobserved/unidentified risks, necessary controls were organized in order to prevent the risks included in the Bank's financial and operational activities and to reduce them to an acceptable level. The Audit Committee regularly monitors the activities and evaluates their effectiveness.

Centralized on-site control activities are carried out covering all branches of the Bank in and outside country and the units of the Head Office. In a manner covering new or unobserved/unidentified risks, necessary controls were organized in order to prevent the risks included in the Bank's financial and operational activities and to reduce them to acceptable level. The Audit Committee regularly monitors the activities and evaluates their effectiveness.

Insufficiencies detected as a result of the Internal Control Activities, opinions and suggestions are evaluated after they are shared with the employees who carry out the activities. Within this scope, preventive and supplementary measures are taken to increase the Internal Control System's effectiveness, and to improve the processes and activities. Pending issues as a result of these activities, and opinions and suggestions to improve the processes are included in the Internal Control Reports while risky issues are shared with the relevant units and senior management to ensure that necessary actions are taken. Furthermore, the Head of the Audit Committee is informed about the detected issues that cause losses for the Bank.

Internal Control activities include the inspections of the operational transactions to carry out the Bank operations, of the Bank's communication channels and information systems, of the financial reporting systems, of the business process implementations and of the consistency.

ASSESSMENT OF THE INTERNAL SYSTEMS AND 2014 OPERATIONS

Opinions, recommendations together with the deficiencies detected as a result of the Internal Control activities are primarily shared and evaluated with the employees performing these activities. Therefore, it is ensured that both the efficiency of the Internal Control System is increased by taking preventive and supplementary measures and the control process and related activities are improved.

As a result of these activities, issues that need to be improved, and opinions and suggestions about the enhancement of the processes are included in the Internal Control Reports and risky issues are shared with the relevant units and the senior management to make sure that necessary action is taken. Furthermore, the Head of the Audit Board is informed about the detected issues that cause losses for the Bank.

Opinions are presented upon making controls on the adequacy and suitability of: (i) all current/planned (future) activities of the Bank, (ii) new transactions and products, and (iii) control points in the changing or new created processes.

Procedures and principles of the Internal Control activities are revised in line with the laws, regulations, international Internal Audit standards and developing requirements so that the effectiveness of the control activities is increased while the operational risks are reduced.

In order to make sure that the Internal control system functions efficiently and effectively in accordance with the Bank's targets and strategies; changing needs, risks and technological developments are tracked. Moreover, efforts continue; to consistently improve the Internal control system, to make sure that staff members at all levels understand the importance of the internal control, and to increase the corporate control culture.

COMPLIANCE OPERATIONS

The Compliance Department operates, within the scope of the Law n.5549 on the "Prevention of Laundering of Proceeds of Crime", the Law n.6415 on the "Prevention of Financing of Terrorism" and the relevant regulations, with the aim of fighting more effectively against the laundering of the proceeds of crime and the financing of terrorism and of preventing the utilization of the financial system by the criminals.

Within this scope; as per the Regulation on the Compliance Program regarding the obligations of the "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism", in order to ensure that the Bank's obligations are fulfilled; necessary policies and procedures are structured in the issues of identifying the customers, classifying them into risk categories and monitoring them, informing about the suspicious customer transactions and controls are made to see if these policies and procedures are implemented or not, opinion/approval is given for risky sector and country transactions, the Financial Crimes Investigation Board (MASAK) is informed about the transactions that are considered suspicious in the necessary investigations and evaluations made within the framework of a risk based approach about the potentially suspicious transactions (for the Bank) detected within the scope of monitoring and controlling activities or forwarded via channels like branches to the Compliance Department.

In order to properly follow the international sanctions, the Bank uses the ban list - composed of the sanction decisions of the international organizations such as the United Nations, European Union, OFAC et al. - in the investigations and controls.

With the compliance activities carried out in the Bank's branches inside and outside the country regarding "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism", coordination of relevant tasks and activities is achieved. Compliance risks - that may arise from the regulations in foreign countries - of the foreign branches that are subject to the compliance program structured by the Bank in line with the legislation of the country where activities are carried out, are monitored by a staff who will control the compliance with these regulations.

While carrying out its activities, the Compliance Department works in coordination with the business units. Within the framework of training activities, the Bank employee is given in-class and online trainings to create awareness on the issue of "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism".

LEGISLATION MONITORING AND EVALUATION ACTIVITIES

Carrying out activities since September 2014, the unit monitors the banking activities and relevant legislation and achieves compliance in between.

Recent developments in legislation and banking practices related to banking activities are monitored, impacts of the legislation changes on the banking activities are interpreted, within this scope measures that must be taken and changes that must be made by the Bank are detected, and thus written information is given to relevant units of the Bank and necessary measures are requested and followed.

Within the scope of compliance controls, the compliance risks regarding the Bank's new products and services and the internal legislation regulations are monitored and evaluated while activities are carried out in coordination with the relevant business units in order to achieve the compliance of the Bank's business process with the changes in the legislation. Furthermore, an employee is assigned to monitor the compliance risks - that may arise from the regulations in foreign countries - in order to achieve the compliance of the foreign branches with the legislation of the countries where they carry out activities.

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

Risk management activities continued also in 2014 in line with the Bank's risk management policies that were prepared in parallel to legislation and international practices and then approved by the Board of Directors.

Because of the new developments in the area of risk management and increasing expectations in risk management function; the Head of Risk the Management organization was expanded in November 2014; and it was restructured as Credit Risk and Operational Risk Management Department and Market Risk Management Department.

Furthermore; with the aim of informing the Audit Committee about the stages performed by an independent unit to monitor, measure, analyze, control and report the transactions performed by the units under the Head of Treasury and making sure that appropriate decisions are made for risk management policy and procedures, Treasury Reporting and Central Office Department that used to function under the Head of Treasury and External Operations was restructured under the Head of Risk Management.

With the "Regulation on Banks Internal Systems and Internal Capital Adequacy Evaluation Process" issued in July 2014 by the Banking Regulation and Supervision Agency (BRSA), an updating and improving process of the Bank's existing risk management policy documents was launched in line with the "Good Practice Guide" issued as per the mentioned Regulation.

In line with the "Good Practice Guide" and the mentioned Regulation, an "Internal Capital Adequacy Evaluation Process (ISEDES) Report" was prepared and submitted to BRSA in September, 2014.

Within the scope of Risk Management and Capital Adequacy, other regulations of BRSA and Basel Committee (BIS) were tracked and Quantitative Impact Studies – requested by BIS and BRSA – continued.

Daily scenario analyses of the impacts of the economic developments and expectations on the Capital Adequacy Ratio and weekly monitoring of the Interest Rate Risk Arising From Banking Book also continued in, 2014.

Studies in the calculation of the Market Risk over the "Value Exposed to Risk (RMD)" model and studies about improving the model proceeded.

Within the scope of operational risk management, studies in collecting and analyzing the operational loss data were repeated, and moreover the Impact Analysis made on the business processes was completed.

Efforts to monitor and develop risk management practices have been conducted within the scope of national and international regulatory authorities' approaches and internationally best practices.

Within the Treasury Reporting and Central Office Department; the Head of Treasury's technological infrastructure required to create scenarios and reports for monitoring the Bank Limits was completed and as of December 24, 2014 instant monitoring of the Bank Limits on this infrastructure was launched. In consequence, the Head of Treasury's authorized employee can first control the limits before any transaction is made with the banks (limit inquiry) and then start the transaction. In case the limit is exceeded, there will be a warning signal and reporting will be made if necessary.

Market Risk: The Bank is exposed to market risk depending on potential changes in foreign exchange rates, interest rates and the market price of stocks resulting from fluctuations in financial markets. The market risk arising from the Bank's trading activities is measured and monitored using the standard method and internal models in line with local and international banking practices. Market risk management is carried out pursuant to the "Market Risk Management Policy Document."

The market risk measurement results are calculated monthly on an unconsolidated and a consolidated basis by using the standard method under the provisions of the "Regulation on the Measurement and Evaluation of the Banks' Capital Adequacy" and are reported to the Bank's senior management and to the Banking Regulation and Supervision Agency. The portfolio, which is used in the calculation, is determined under the Bank's "Trading Strategy, Policy and Implementation Procedures Document."

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

Moreover, VaR (Value at Risk) calculations are made on a daily basis and reported accordingly. VaR is calculated on a daily basis via historical simulation and the Monte Carlo simulation using a one-sided 99% confidence interval. The VaR calculated for one day is scaled to 10 business days on the basis of the square-root-of-time rule. The historical observation period used for VaR calculation is one year.

The Bank performs daily back testing analyses in order to test the reliability and performance of the model results. Furthermore, scenario analyses and stress tests are performed to support the standard method and internal models.

With the aim to restrict the market risks, the overall bank limit and VaR-based limit practices are applied and monitored on a daily basis.

Structural Interest Rate Risk: Interest rate risk, which the Bank may be exposed to due to maturity mismatch on its balance sheet, is managed pursuant to the "Structural Interest Rate Risk Management Policy Document." The standard ratio of the interest rate risk on the banking book is calculated on a monthly basis and reported to the BRSA; in order to monitor the ratio and to take the required precautions, these calculations can be performed on a weekly basis. In addition, liquidity-gap analysis and duration results are analyzed. All analyses are reported to the Board of Directors, the Audit Committee and the Bank's senior management.

Furthermore, studies were launched for setting limits on the basis of maturity segments.

Liquidity Risk: The Bank's liquidity risk is managed in accordance with the "Liquidity Risk Management Policy Document." The Bank's approach for liquidity risk management is to monitor liquidity risk throughout the day on a continuous basis. To this end, cash inflows and outflows in both Turkish lira and foreign exchange are tried to be kept under control at any moment, long-term cash flow tables are prepared, and scenario analysis and stress tests based on the experiences and expectations are performed in order to determine the Bank's strength against sudden crises. The Bank also complies with liquidity-related regulations as established by regulatory authorities.

Operational Risk: Operational risk refers to the likelihood of damage, including legal risk, which may arise from inadequate or failed internal processes, people and systems or from external events. The management of operational risks is performed in accordance with the "Operational Risk Framework," which was created for the determination and definition of all the significant risks faced by the Bank in comprehensive categories and which is a common dictionary containing examples of these risks, and the Bank's "Operational Risk Management Policy and Implementation Guidelines" document.

The evaluation of the operational risks is carried out by Audit Board and Internal Audit Departments. In the management of operational risk, the Bank collects operational risk loss and potential risk data, which also enable the implementation of the advanced measurement approaches. The Bank analyzed operational loss data in order to identify the risk factors; the findings were presented to the Bank's senior management.

Within the scope of the project carried out within the framework of the Corporate Risk Management Principles, transfer of operational risk loss and collection data and Impact Analysis studies to the integrated infrastructure (built with the relevant project) was launched.

The Risk Management Department continued to conduct Impact Analysis studies, which cover the Head Office departments. These studies seek to take operational risks under control by identifying inefficient and inadequate controls and taking necessary measures through the analysis of the business processes. Studies on the Impact Analysis were repeated based on changing business processes and are almost complete.

With the "Findings Tracker", evaluation of changing or new process within the scope of Impact Analysis continues.

Risk assessments related to the new products are made within the scope of the "New Product Development Regulation."

Moreover, risk assessments related to the purchase of the support services are made within the scope of the "Regulation on Procurement of Support Services by Banks" and the "Risk Management Program."

The Operational Risk Management Policy and Principles, New Product Development Directive and Support Service Procurement Procedures and the Risk Management Program were updated in 2014 within the scope of the recent developments and needs.

"Amount Subject to Operational Risk" is calculated on a solo and consolidated basis. In keeping with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA, the Bank calculates "Value at Operational Risk" using the Basic Indicator Approach on an unconsolidated and consolidated basis; this information is reported to the Bank's senior management and the Banking Regulation and Supervision Agency annually. The Bank's ultimate goal is to use of an advanced measurement approach in measuring operational risk.

Credit Risk: Credit risk arises from the failure of a counterparty to fulfil its obligations, partially or completely, in accordance with contractual requirements. The credit risk definition of the Bank takes the credit risk definition of the Banking Law as a base and comprises the credit risks involved in all products and activities.

Credit risk is managed pursuant to the "Credit Risk-Credit Risk Reduction-Residual Risk-Country Risk Management Policy Document."

The findings are obtained from analyses of the composition and concentration of the Bank's loan portfolio (type of loan, currency, maturity, sector, geographic region, borrower, holding, group, subsidiaries); from the portfolio quality (standard loans, non-performing loans, deferred loans, analysis of the data obtained from the credit rating system); from the portfolio analysis (duration, average maturity, interest rate sensitivity); from country risk and scenario analyses; and from the studies on possible events of default. These findings are reported to the Board of Directors, the Audit Committee and the Bank's senior management as individual and monthly reports.

The Bank uses rating and scoring models for the assessment of the debtor's credit quality. For the mentioned models, validation studies are made at regular intervals. Sector concentration limits and country risk limits are fixed with an aim to define the risks resulting from credit concentrations and to create a well-balanced credit portfolio. These limits are updated taking into consideration the Bank's credit policy and macroeconomic developments.

Credit risk in fair value, measured within the scope of the provisions of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks," is reported to the Bank's senior management and the BRSA in unconsolidated and consolidated basis quarterly. Capital Adequacy Standard Ratio is closely monitored in the Bank, calculated on a daily basis and reported to the senior management after the scenario analysis/stress testing is performed.

The Bank's ultimate goal is to use credit risk internal methods in accordance with Basel III, the European Union Capital Adequacy Regulations and international best practices. BRSA regulations published about the issue in 2014 were closely tracked.

Counterparty Credit Risk: Counterparty credit risk is the risk that a counterparty to a mutual transaction, that obligates both parties, will default before the date of final payment of such transaction is due. This risk type is managed pursuant to the "Counterparty Credit Risk Management Policy Document."

Counterparty credit risk exposures are calculated on the basis of the banking book and the trading book portfolios, in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and using the fair value valuation method. Within the context of the capital adequacy calculations, the exposure values are reported to BRSA and the Bank's senior management monthly on an unconsolidated and a consolidated basis.

Concentration Risk: Concentration risk arises due to a specific concentration of the Bank's assets, liabilities, and business lines; this risk type is managed pursuant to the "Concentration Risk Management Policy Document." The Bank establishes concentration limits, which are closely monitored and reported to senior management. Limits are controlled on a regular basis and revised if needed, in parallel with economic developments, expectations, and the Bank's objectives and strategies.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2014**

**(Convenience Translation of Publicly Announced Unconsolidated
Financial Statements and Independent Auditor's Report
Originally Issued in Turkish,
See in Note I. of Section Three)**



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

To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We have audited the accompanying unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") at 31 December 2014 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditor's Opinion:

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

Other matters:

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2013 were audited by another auditor whose report dated 13 February 2014 expressed an unqualified opinion.

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

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

Additional paragraph for convenience translation:

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 16 February 2015

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AS OF 31 DECEMBER 2014

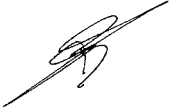
Address : Sanayi Mahallesi, Eski Büyükdere Caddesi
Güler Sokak No:51, Kağıthane/ İstanbul
Telephone : 0212 398 15 15- 0212 398 10 00
Fax : 0212 398 11 55
Electronic web site : www.vakifbank.com.tr
Electronic mail address : posta@vakifbank.com.tr

The unconsolidated financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.

16 February 2015



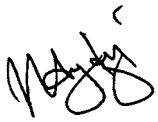
Ramazan GÜNDÜZ
Chairman of the Board of
Directors



Mehmet Emin ÖZCAN
Deputy Chairman of the
Board and Audit
Committee Member



Sabahattin BİRDAL
Board member and
Audit Committee Member



Halil AYDOĞAN
General Manager and
Board Member



Metin Recep ZAFER
Assistant General Manager



Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title: S. Buğra SÜRÜEL / Manager
Phone no : 0 312 591 11 48
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called "the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı", on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry ("The General Directorate of the Foundations"). The Bank's statute has not been changed since its establishment.

II. THE BANK'S SHAREHOLDERS STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK'S RISK GROUP

The shareholder having control over the shares of the Bank is the General Directorate of the Foundations.

As at 31 December 2014 and 31 December 2013, the Bank's paid-in capital is TL 2,500,000 divided into 250.000.000.000 shares with each has a nominal value of Kr 1.

The Bank's shareholders structure as at 31 December 2014 is stated below:

Shareholders	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Appendant foundations represented by the General Directorate of the Foundations (Group B)	386,224,784	386,225	15.45
Other appendant foundations (Group B)	3,096,742	3,097	0.13
Other registered foundations (Group B)	1,453,085	1,453	0.06
Other real persons and legal entities (Group C)	1,533,786	1,534	0.06
Publicly traded (Group D)	630,080,297	630,080	25.20
Total	2,500,000,000	2,500,000	100.00

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. INFORMATION ON THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER, ASSISTANT GENERAL MANAGERS AND THEIR SHARES IN THE BANK

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
Board of Directors				
Ramazan GÜNDÜZ	Chairman	29 March 2013	University	36 years
Mehmet Emin ÖZCAN	Deputy Chairman	29 March 2013	University	31 years
Halil AYDOĞAN	Member – General Manager	29 March 2013	University	37 years
İsmail ALPTEKİN	Member	6 April 2009	University	16 years
Halim KANATCI	Member	28 April 2009	University	41 years
Dr. Adnan ERTEM	Member	28 October 2010	PHD	26 years
Sabahattin BİRDAL	Member	31 March 2014	University	37 years
Öztürk ORAN	Member	30 April 2014	University	39 years
Şeref AKSAÇ	Member	30 April 2014	University	32 years
Audit Committee				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	31 years
Sabahattin BİRDAL	Member	4 April 2014	University	37 years
Auditors				
Mehmet HALTAŞ	Auditor	19 March 2010	University	37 years
Yunus ARINCI	Auditor	19 March 2010	Master	17 years
Assistant Managers				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant	13 June 2006	PHD	19 years
Hasan ECESÖY	Treasury, International Relations and Investor Relations, Coordination of Foreign Branches	18 June 2010	PHD	21 years
Serdar SATOĞLU	Private Banking, Subsidiaries	2 July 2010	PHD	19 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	18 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	6 April 2011	University	24 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking	23 October 2013	University	19 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations	28 October 2013	University	21 years
Mehmet Emin KARAAĞAÇ	Loans and Risk Follow-up, Legal Affairs	8 November 2013	University	25 years

As at 7 February 2014, Ali Fuat Taşkesenlioğlu has resigned from his duty as a member of Board of Directors.

At the resolution of the first Board of Directors after Ordinary Meeting of the General Assembly dated 28 March 2014, the distribution of roles has been realized. Ramazan Gündüz has been assigned as Chairman of Board of Directors and Mehmet Emin Özcan has been assigned as Deputy Chairman of Board of Directors.

As at 31 March 2014, Sadık Tiltak has resigned from his duty as Group C independent member of Board of Directors. Sabahattin Birdal has been elected unanimously for the duty of Sadık Tiltak by Board of Directors in accordance with the clause 363 of Turkish Commercial Code and the clause 51 of Bank's Articles of Association.

As per 4 April 2014 dated resolution of the Board of Directors, in accordance with the clause 73 of Bank's Articles of Association, Sabahattin Birdal and Mehmet Emin Özcan has been elected unanimously for Audit Committee.

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE 1. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

As per 30 April 2014 dated resolution of Ordinary Meeting of the General Assembly, in accordance with the clause 48 of Bank's Articles of Association, Öztürk Oran has been elected as a member of Board of Directors representing Group A shares. Şeref Aksaç has been elected as a member of Board of Directors representing Group B shares.

As per 4 September 2014 dated resolution of the Board of Directors, Yıldırım Eroğlu has resigned his duty regarding to his retirement status.

As per 5 February 2015 dated resolution of the Board of Directors, Assistant Manager Numan Bek has been assigned to headquarters' order of service.

İsmail Alptekin, Member of the Board, holds non-publicly traded Group C share of the Bank amounting to TL 59. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

IV. INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

The shareholder holding control over the Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL REPORT FOR THE

YEAR ENDED AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE BANK

The Bank was established under the authorization of special law numbered 6219, called “the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending loans by granting securities and real estates as collateral,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

As at 31 December 2014, the Bank has 890 domestic, 3 foreign, in total 893 branches (31 December 2013: 856 domestic, 3 foreign, in total 859 branches). As at 31 December 2014, the Bank has 14,920 employees (31 December 2013: 14,943 employees).

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN BANK AND ITS SUBSIDIARIES

None.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

ASSETS	Notes	Audited Current Period 31 December 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,126,328	17,758,651	21,884,979	1,802,838	17,165,243	18,968,081
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	343,094	37,101	380,195	356,150	79,540	435,690
2.1 Financial assets held for trading purpose		343,094	37,101	380,195	356,150	79,540	435,690
2.1.1 Debt securities issued by the governments		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading purpose	V-I-2	342,475	37,101	379,576	356,150	79,540	435,690
2.1.4 Other securities		619	-	619	-	-	-
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	V-I-3	14,733	2,555,887	2,570,620	40,177	2,598,960	2,639,137
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,629,821	3,693,476	16,323,297	12,551,965	3,736,222	16,288,187
5.1 Equity securities		15	-	15	15	10,750	10,765
5.2 Debt securities issued by the governments		12,629,806	3,693,476	16,323,282	12,551,950	3,725,472	16,277,422
5.3 Other securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	V-I-5	76,682,669	27,900,848	104,583,517	65,082,512	21,669,705	86,752,217
6.1 Performing loans and receivables		76,442,594	27,900,848	104,343,442	64,826,518	21,669,705	86,496,223
6.1.1 Loans provided to risk group	V-VII-1	57,996	22,347	80,343	11,233	83,668	94,901
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		76,384,598	27,878,501	104,263,099	64,815,285	21,586,037	86,401,322
6.2 Loans under follow-up		3,974,372	-	3,974,372	3,531,427	-	3,531,427
6.3 Specific provisions (-)		3,734,297	-	3,734,297	3,275,433	-	3,275,433
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	6,761,749	92,844	6,854,593	5,358,742	45,073	5,403,815
8.1 Debt securities issued by the governments		6,761,749	-	6,761,749	5,358,742	2,234	5,360,976
8.2 Other securities		-	92,844	92,844	-	42,839	42,839
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	305,469	-	305,469	245,523	-	245,523
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		305,469	-	305,469	245,523	-	245,523
9.2.1 Financial associates		294,069	-	294,069	234,123	-	234,123
9.2.2 Non-Financial associates		11,400	-	11,400	11,400	-	11,400
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,110,389	321,124	1,431,513	1,094,893	270,577	1,365,470
10.1 Unconsolidated financial subsidiaries		866,473	321,124	1,187,597	893,406	270,577	1,163,983
10.2 Unconsolidated non-financial subsidiaries		243,916	-	243,916	201,487	-	201,487
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	707,628	1,372	709,000	656,989	1,802	658,791
XV. INTANGIBLE ASSETS (Net)	V-I-13	140,639	111	140,750	108,480	128	108,608
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		140,639	111	140,750	108,480	128	108,608
XVI. INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
XVII. TAX ASSETS		72,437	-	72,437	51,606	-	51,606
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	72,437	-	72,437	51,606	-	51,606
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	745,883	-	745,883	564,744	-	564,744
18.1 Assets held for sale		745,883	-	745,883	564,744	-	564,744
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	1,556,242	659,231	2,215,473	1,231,840	782,334	2,014,174
TOTAL ASSETS		105,197,081	53,020,645	158,217,726	89,146,459	46,349,584	135,496,043

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

LIABILITIES AND EQUITY	Notes	Audited Current Period 30 September 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	65,703,337	26,053,631	91,756,968	59,441,198	22,091,616	81,532,814
1.1 Deposits of the risk group	V-VII-1	1,511,586	216,777	1,728,363	1,790,723	238,889	2,029,612
1.2 Other deposits		64,191,751	25,836,854	90,028,605	57,650,475	21,852,727	79,503,202
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	54,233	196,019	250,252	111,604	89,174	200,778
III. FUNDS BORROWED	V-II-3	887,938	14,039,110	14,927,048	122,174	11,282,638	11,404,812
IV. INTERBANK MONEY MARKET		9,793,634	6,591,668	16,385,302	8,014,659	6,462,422	14,477,081
4.1 Interbank money market takings		200,000	-	200,000	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		9,593,634	6,591,668	16,185,302	8,014,659	6,462,422	14,477,081
V. SECURITIES ISSUED (Net)	V-II-3	2,913,190	7,544,567	10,457,757	2,355,180	4,529,646	6,884,826
5.1 Bills		2,913,190	-	2,913,190	2,355,180	-	2,355,180
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	7,544,567	7,544,567	-	4,529,646	4,529,646
VI. FUNDS		20,089	-	20,089	23,431	-	23,431
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Others		20,089	-	20,089	23,431	-	23,431
VII. MISCELLANEOUS PAYABLES		2,937,216	223,199	3,160,415	2,506,535	189,570	2,696,105
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	517,101	938,558	1,455,659	423,146	1,030,328	1,453,474
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	2,424,177	12,962	2,437,139	1,964,510	49,774	2,014,284
12.1 General provisions	V-II-7	1,591,002	12,240	1,603,242	1,179,012	11,727	1,190,739
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		603,083	-	603,083	543,347	-	543,347
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions	V-II-7	230,092	722	230,814	242,151	38,047	280,198
XIII. TAX LIABILITIES	V-II-8	456,288	1,029	457,317	216,864	1,111	217,975
13.1 Current tax liabilities		456,288	1,029	457,317	216,864	1,111	217,975
13.2 Deferred tax liabilities	V-II-15	-	-	-	-	-	-
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS	V-II-9	-	-	-	-	-	-
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	V-II-10	-	2,138,030	2,138,030	-	1,974,142	1,974,142
XVI. EQUITY		14,396,856	374,894	14,771,750	12,412,681	203,640	12,616,321
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		1,680,852	374,894	2,055,746	1,317,561	203,640	1,521,201
16.2.1 Share premium		723,918	-	723,918	723,918	-	723,918
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	842,075	374,894	1,216,969	477,686	203,640	681,326
16.2.4 Revaluation surplus on tangible assets		45,637	-	45,637	44,136	-	44,136
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		69,222	-	69,222	71,821	-	71,821
16.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		-	-	-	-	-	-
16.3 Profit reserves		8,462,731	-	8,462,731	7,009,581	-	7,009,581
16.3.1 Legal reserves		1,012,796	-	1,012,796	854,240	-	854,240
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		7,214,708	-	7,214,708	5,889,226	-	5,889,226
16.3.4 Other profit reserves		235,227	-	235,227	266,115	-	266,115
16.4 Profit or loss		1,753,273	-	1,753,273	1,585,539	-	1,585,539
16.4.1 Prior years' profit/loss		-	-	-	-	-	-
16.4.2 Current period's profit/loss		1,753,273	-	1,753,273	1,585,539	-	1,585,539
TOTAL LIABILITIES AND EQUITY		100,104,059	58,113,667	158,217,726	87,591,982	47,904,061	135,496,043

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS

AS OF 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Audited Current Period 31 December 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		42,543,635	48,918,083	91,461,718	65,514,791	55,746,467	121,261,258
I. GUARANTEES AND SURETIES	V-III-2-4	16,863,185	11,770,738	28,633,923	14,288,042	9,053,337	23,341,379
1.1 Letters of guarantee		16,842,349	4,610,122	21,452,471	14,268,047	3,627,537	17,895,584
1.1.1 Guarantees subject to State Tender Law		1,869,107	2,266,261	4,135,368	1,905,899	1,952,543	3,858,442
1.1.2 Guarantees given for foreign trade operations		913,389	-	913,389	650,221	-	650,221
1.1.3 Other letters of guarantee		14,059,853	2,343,861	16,403,714	11,711,927	1,674,994	13,386,921
1.2 Bank acceptances		20,836	1,943,257	1,964,093	12,129	1,040,149	1,052,278
1.2.1 Import letter of acceptance		2,190	78,990	81,180	1,500	77,393	78,893
1.2.2 Other bank acceptances		18,646	1,864,267	1,882,913	10,629	962,756	973,385
1.3 Letters of credit		-	5,212,911	5,212,911	7,866	4,382,030	4,389,896
1.3.1 Documentary letters of credit		-	5,212,911	5,212,911	7,866	4,382,030	4,389,896
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	1,845	1,845	-	1,702	1,702
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	2,603	2,603	-	1,759	1,759
1.9 Other sureties		-	-	-	-	160	160
II. COMMITMENTS		19,162,556	7,458,391	26,620,947	45,270,192	26,331,770	71,601,962
2.1 Irrevocable commitments		17,652,664	2,640,634	20,293,298	15,109,055	3,640,601	18,749,656
2.1.1 Asset purchase commitments	V-III-1	46,228	2,640,634	2,686,862	539,362	3,636,414	4,175,776
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	8,053,342	-	8,053,342	6,730,503	-	6,730,503
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	1,638,976	-	1,638,976	1,320,438	-	1,320,438
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	7,641,987	-	7,641,987	6,261,117	-	6,261,117
2.1.10 Commitments for credit card and banking operations promotions		247,938	-	247,938	238,991	-	238,991
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		24,193	-	24,193	18,644	4,187	22,831
2.2 Revocable commitments		1,509,892	4,817,757	6,327,649	30,161,137	22,691,169	52,852,306
2.2.1 Revocable loan granting commitments		1,509,892	4,817,757	6,327,649	30,161,137	22,691,169	52,852,306
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	6,517,894	29,688,954	36,206,848	5,956,557	20,361,360	26,317,917
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		6,517,894	29,688,954	36,206,848	5,956,557	20,361,360	26,317,917
3.2.1 Forward foreign currency purchases/sales		242,929	312,275	555,204	602,810	731,325	1,334,135
3.2.1.1 Forward foreign currency purchases		121,619	156,202	277,821	301,607	365,671	667,278
3.2.2.2 Forward foreign currency sales		121,310	156,073	277,383	301,203	365,654	666,857
3.2.2 Currency and interest rate swaps		5,631,655	22,183,274	27,814,929	5,180,109	15,499,236	20,679,345
3.2.2.1 Currency swaps-purchases		1,659,308	10,977,077	12,636,385	3,148,532	7,243,811	10,392,343
3.2.2.2 Currency swaps-sales		3,772,347	3,927,959	7,700,306	2,031,577	4,110,277	6,141,854
3.2.2.3 Interest rate swaps-purchases		100,000	3,639,119	3,739,119	-	2,072,574	2,072,574
3.2.2.4 Interest rate swaps-sales		100,000	3,639,119	3,739,119	-	2,072,574	2,072,574
3.2.3 Currency, interest rate and security options		385,290	671,258	1,056,548	173,638	169,222	342,860
3.2.3.1 Currency call options		192,645	335,629	528,274	85,819	84,611	170,430
3.2.3.2 Currency put options		192,645	335,629	528,274	85,819	84,611	170,430
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	1,000	-	1,000
3.2.3.6 Security put options		-	-	-	1,000	-	1,000
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		258,020	6,522,147	6,780,167	-	3,961,577	3,961,577
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		706,821,902	298,845,575	1,005,667,477	839,788,953	225,942,092	1,065,731,045
IV. ITEMS HELD IN CUSTODY		58,297,898	2,105,489	60,403,387	351,509,096	1,564,619	353,073,715
4.1 Customers' securities held		-	22,567	22,567	-	20,816	20,816
4.2 Investment securities held in custody		48,295,375	94,082	48,389,457	343,290,604	-	343,290,604
4.3 Checks received for collection		8,300,087	1,452,398	9,752,485	6,699,221	895,708	7,594,929
4.4 Commercial notes received for collection		1,129,279	182,687	1,311,966	974,141	210,113	1,184,254
4.5 Other assets received for collection		2,152	93	2,245	2,152	86	2,238
4.6 Assets received through public offering		-	6,818	6,818	-	6,289	6,289
4.7 Other items under custody		309	77,724	78,033	6,749	138,169	144,918
4.8 Custodians		570,696	269,120	839,816	536,279	293,438	829,667
V. PLEDGED ITEMS		180,351,054	59,408,743	239,759,797	174,883,810	50,574,396	225,458,206
5.1 Securities		241,614	18,614	260,228	334,952	27,434	362,386
5.2 Guarantee notes		943,912	232,965	1,176,877	701,927	239,873	941,800
5.3 Commodities		25,696,626	590,812	26,287,438	23,434,930	990,995	24,425,925
5.4 Warrants		-	-	-	-	-	-
5.5 Real estates		142,283,678	47,319,679	189,603,357	112,475,408	39,831,978	152,307,386
5.6 Other pledged items		10,332,202	11,114,594	21,446,796	8,342,047	9,350,018	17,692,065
5.7 Pledged items-depository		853,022	132,079	985,101	29,594,546	134,098	29,728,644
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		468,172,950	237,331,343	705,504,293	313,396,047	173,803,077	487,199,124
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		749,365,537	347,763,658	1,097,129,195	905,303,744	281,688,559	1,186,992,303

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR

ENDED AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Audited Current Period 1 January 2014- 31 December 2014	Audited Prior Period 1 January 2013- 31 December 2013
I. INTEREST INCOME		11,373,587	9,220,570
1.1 Interest income from loans	V-IV-1	9,326,415	7,563,941
1.2 Interest income from reserve deposits		2,015	-
1.3 Interest income from banks	V-IV-1	7,006	7,004
1.4 Interest income from money market transactions		380	625
1.5 Interest income from securities portfolio	V-IV-1	2,035,273	1,590,648
1.5.1 Trading financial assets		-	-
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,475,012	1,187,769
1.5.4 Held-to-maturity investments		560,261	402,879
1.6 Finance lease income		-	-
1.7 Other interest income		2,498	58,352
II. INTEREST EXPENSE		6,722,109	4,430,953
2.1 Interest expense on deposits	V-IV-2	5,044,633	3,522,651
2.2 Interest expense on funds borrowed	V-IV-2	167,476	134,533
2.3 Interest expense on money market transactions		912,931	375,321
2.4 Interest expense on securities issued	V-IV-2	450,732	260,003
2.5 Other interest expenses		146,337	138,445
III. NET INTEREST INCOME (I - II)		4,651,478	4,789,617
IV. NET FEES AND COMMISSIONS INCOME		709,334	686,511
4.1 Fees and commissions received		1,145,329	1,005,406
4.1.1 Non-cash loans		162,814	134,964
4.1.2 Others		982,515	870,442
4.2 Fees and commissions paid		435,995	318,895
4.2.1 Non-cash loans		206	143
4.2.2 Others		435,789	318,752
V. DIVIDEND INCOME	V-IV-3	66,288	54,001
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	223,119	231,657
6.1 Trading account income/losses	V-IV-4	174,760	172,623
6.2 Income/losses from derivative financial instruments	V-IV-4	(51,247)	86,442
6.3 Foreign exchange gains/losses	V-IV-4	99,606	(27,408)
VII. OTHER OPERATING INCOME	V-IV-5	1,345,534	708,320
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		6,995,753	6,470,106
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	1,671,867	1,729,271
X. OTHER OPERATING EXPENSES (-)	V-IV-7	3,110,210	2,757,921
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		2,213,676	1,982,914
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		2,213,676	1,982,914
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(460,403)	(397,375)
16.1 Current tax charges		(601,519)	(341,481)
16.2 Deferred tax credits		141,116	(55,894)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-12	1,753,273	1,585,539
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-12	1,753,273	1,585,539
Profit/Loss per 100 shares (full TL)	III-XXII	0.7013	0.6342

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Audited Current Period 1 January 2014- 31 December 2014	Audited Prior Period 1 January 2013- 31 December 2013	
GAINS AND LOSSES RECOGNIZED IN EQUITY				
VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS				
I.	RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	V-V-1	786,981	(1,018,829)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		-	-
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES		-	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES	-	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS		-	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS		(140,919)	155,433
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-1	(143,906)	76,024
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)		502,156	(787,372)
XI.	CURRENT PERIOD'S PROFIT/(LOSS)		1,753,273	1,585,539
11.1	Change in fair value of securities (transfers to the statement of income)	V-V-1	168,110	252,612
	Gains/Losses recognized in the statement of income due to reclassification of			
11.2	cash flow hedges		-	-
	Gains/Losses recognized in the statement of income due to reclassification of net			
11.3	foreign investment hedges		-	-
11.4	Others		1,585,163	1,332,927
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)		2,255,429	798,167

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Paid-in Capital	Adjustments to Paid-in Capital	Share Cancellation Premium	Share Premium	Share	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Assets and Liabilities	Revaluation Surplus on Intangible Assets and Subsidiaries	Bonus Shares of Associates and Joint Ventures	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Discount	Minority Interest	Minority Shareholders' Interest	Total Equity
CHANGES IN EQUITY																				
Balances at the beginning of the period																				
Changes during the period																				
Balances at the end of the period																				
PERIOD - 31 December 2013																				
Balances at the beginning of the period																				
Changes during the period																				
Balances at the end of the period																				
CURRENT PERIOD - 31 December 2014																				
Balances at the beginning of the period																				
Changes during the period																				
Balances at the end of the period																				
PERIOD - 31 December 2014																				
Balances at the beginning of the period																				
Changes during the period																				
Balances at the end of the period																				
PERIOD - 31 March 2015																				
Balances at the beginning of the period																				
Changes during the period																				
Balances at the end of the period																				

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	2,632,569	2,519,169
1.1.1	Interests received	10,469,845	8,177,914
1.1.2	Interests paid	(6,661,702)	(4,264,755)
1.1.3	Dividends received	43,703	29,737
1.1.4	Fee and commissions received	1,145,329	1,005,406
1.1.5	Other income	438,067	164,946
1.1.6	Collections from previously written-off loans and other receivables	V-I-5 705,404	546,553
1.1.7	Payments to personnel and service suppliers	(1,277,830)	(2,566,277)
1.1.8	Taxes paid	(540,885)	(363,768)
1.1.9	Others	V-VI-1 (1,689,362)	(210,587)
1.2	Changes in operating assets and liabilities	(3,133,355)	(2,991,443)
1.2.1	Net (increase) decrease in financial assets held for trading purpose	(619)	2,377
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(2,000)	(6,639,045)
1.2.4	Net (increase) decrease in loans	(18,811,158)	(19,867,391)
1.2.5	Net (increase) decrease in other assets	109,081	(959,553)
1.2.6	Net increase (decrease) in bank deposits	716,239	4,104
1.2.7	Net increase (decrease) in other deposits	9,494,361	14,194,666
1.2.8	Net increase (decrease) in funds borrowed	3,517,964	3,384,029
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	V-VI-1 1,842,777	6,889,370
I.	Net cash flow from banking operations	(500,786)	(472,274)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	(424,173)	(3,149,350)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2 (205,714)	(90,972)
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3	Purchases of tangible assets	(175,892)	(176,278)
2.4	Proceeds from disposal of tangible assets	83,419	257,519
2.5	Cash paid for purchase of available-for-sale financial assets	(5,677,045)	(5,224,880)
2.6	Proceeds from disposal of available-for-sale financial assets	6,819,996	3,145,750
2.7	Cash paid for purchase of held-to-maturity investments	(2,698,603)	(2,530,205)
2.8	Proceeds from disposal of held-to-maturity investments	V-I-6 1,475,540	1,507,738
2.9	Others	V-VI-1 (45,874)	(38,022)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities	3,423,195	4,307,941
3.1	Cash obtained from funds borrowed and securities issued	8,649,309	8,726,401
3.2	Cash used for repayment of funds borrowed and securities issued	(5,126,114)	(4,318,460)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	V-V-5 (100,000)	(100,000)
3.5	Repayments for finance leases	-	-
3.6	Others	-	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1 6,249	(8,205)
V.	Net increase in cash and cash equivalents	2,504,485	678,112
VI.	Cash and cash equivalents at the beginning of the period	V-VI-4 5,677,984	4,999,872
VII.	Cash and cash equivalents at the end of the period	V-VI-4 8,182,469	5,677,984

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR
ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 31 December 2014	Prior Period 31 December 2013
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1 CURRENT YEAR'S PROFIT		2,213,676	1,982,914
1.2 TAXES PAYABLE AND LEGAL DUTIES		(460,403)	(397,375)
1.2.1 Corporate tax (income tax)	V-IV-11	(601,519)	(341,481)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties ^(*)	V-IV-11	141,116	(55,894)
A. NET PROFIT FOR THE YEAR		1,753,273	1,585,539
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	-	-
B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME		1,753,273	1,585,539
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	-	(79,278)
1.6 OTHER STATUTORY RESERVES	V-V-5	-	(79,278)
C. NET PROFIT AVAILABLE FOR DISTRIBUTION ^(*)		-	1,426,983
1.7 FIRST DIVIDEND TO SHAREHOLDERS		-	100,000
1.7.1 To owners of ordinary shares		-	100,000
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
1.8 DIVIDENDS TO PERSONNEL ^(*)		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	1,325,482
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	1,501
II. DISTRIBUTION FROM RESERVES			
2.1 DISTRIBUTION OF 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 privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL ^(*)		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES (Per 100 shares)		0.7013	0.6342
3.2 TO OWNERS OF ORDINARY SHARES (%)		70.13	63.42
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES (Per 100 shares)		-	0.04
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	4.00
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

^(*) As at report date, no resolution has been decided regarding about 2014 profit distribution. Accordingly, net profit available for distribution has not been presented.

^(*) The amount shown in the other taxes and duties is the deferred tax income/loss which is not subject to profit distribution

The accompanying explanations and notes form an integral part of these financial statements.

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SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which are effective from 1 November 2005, the Turkish Commercial Code ("TCC") and Turkish tax legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA ("Banking Regulation and Supervision Agency") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all defined as "BRSA Principles"). The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and unconsolidated investments in associates and subsidiaries whose fair value can be reliably measured and assets available for sale, which are presented on a fair value basis.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management's best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXII. Below.

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 unconsolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND INFORMATION ON FOREIGN CURRENCY TRANSACTIONS

Strategy for the use of financial instruments

The Bank's core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

It is essential to consider the maturity structure of assets and liabilities in liquidity management. The essence of asset liability management is the keep the liquidity risk, interest rate risk, exchange rate risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the shareholders' equity.

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank's operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but earn

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lower return. The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities.

Within the legal limitations and the regulations of the bank's internal control, the foreign currency position is being followed, the foreign currency position is established according to the basket equilibrium that is determined by taking into account current market conditions.

In order to avoid interest rate risk, assets and liabilities having fixed and floating interest rates are kept in balance, taking the maturity structure into consideration.

Information on foreign currency transactions

Foreign currency transactions are recorded in TL, the functional currency of the Bank. Foreign currency transactions are recorded using the foreign exchange rates effective at the transaction date. Non-monetary foreign currency items which are recorded at fair value are valued at historical foreign exchange rates. Foreign exchange gain/loss amounts due to conversion of monetary items or collection or payments foreign currency denominated transactions are recognized in income statement.

Foreign exchange differences resulting from amortized costs of foreign currency denominated available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "valuation differences of marketable securities" under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

III. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The Bank has classified its derivative transactions, mentioned above, as "trading purpose" in accordance with the TAS 39 – Financial Instruments: Recognition and Measurement.

Derivatives are initially recorded at their purchase costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under "derivative financial assets held for trading purpose" or "derivative financial liabilities held for trading purpose". The subsequent fair value changes of derivative transactions are recognized in the statement of income.

IV. INFORMATION ON INTEREST INCOME AND EXPENSES

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs. Transaction costs are additional costs that are directly related to the acquisition, issuance or disposal of financial assets or liabilities.

In accordance with the related regulation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

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V. INFORMATION ON FEES AND COMMISSIONS

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission; incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

VI. INFORMATION ON FINANCIAL ASSETS

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. Purchase and sale transactions of securities are accounted at settlement dates.

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

Financial assets at fair value through profit or loss

Financial assets, which are classified as "financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Such assets are measured at their fair values and gain/loss arising is recorded in the statement of income. Interest income earned on financial assets and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. The gains/losses in case of disposal of such securities before their maturities are recorded under trading income/losses in the statement of income.

Held to maturity investments, available-for-sale financial assets and loans and receivables

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables. Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

There are no financial assets that are not allowed to be classified as held-to-maturity investments for two years due to the tainting rules applied for the breach of classification rules.

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any. Interest earned on held-to-maturity investments is recognized as interest income.

Available-for-sale financial assets are the financial assets other than loans and receivables, held-to-maturity investments and assets held for trading purposes.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values are recorded in "valuation differences of the marketable securities" under the shareholders' equity. In case of disposal of such assets, the realized gain or losses are recognized directly in the statement of income.

Purchase and sales of investment securities are recognized at the date of delivery. The changes in fair value of assets during the period between trade date and settlement date are accounted for in financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held for trading in the settlement date-accounting policy.

Loans and receivables are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

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Loans and receivables are recorded at cost and measured at amortized cost by using effective interest method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

Associates and subsidiaries

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 – Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

Associates are accounted in accordance with TAS 39-Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Associates, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

VII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no. 26333 dated 1 November 2006 and the amendments to this regulation. The allowances are recorded in the statement of income of the related period.

VIII. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IX. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are recorded on the balance sheet. Government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and classified under “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements (“reverse repo”) are classified under “Interbank Money Markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

X. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

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XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Bank has no goodwill.

The Bank's intangible assets consist of software. Intangible assets are initially recorded at their costs in compliance with the TAS 38 – *Intangible Assets*.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized based on straight line amortization.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 - Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and recognized in the income statement of the period.

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.

Depreciation rates and estimated useful lives are:

Tangible assets	Estimated useful life (Years)	Depreciation Rate (%)
Buildings	50	2
Office equipment, furniture and fixture, and motor vehicles	5-10	10-20
Assets obtained through finance leases	4-5	20-25

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

At each reporting date, the Bank evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 - Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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Operational leases

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XIV. INFORMATION ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Bank discloses the contingent asset.

XV. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2014 is TL 3,438 (full TL) (31 December 2013: TL 3,254 (full TL)).

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the TAS 19 – Employee Benefits.

As at 31 December 2014 and 31 December 2013, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount Rate	8.60%	9.70%
Estimated Inflation Rate	6.50%	6.40%

Other benefits to employees

The Bank has provided provision for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with TAS 19 in the accompanying unconsolidated financial statements.

The accounting of actuarial gains and losses due to the changes in actuarial assumptions or the differences between assumption and realized has been changed to be applied after the account periods starting from 1 January 2013 by “The communique (No: 9) about Employee Benefits (“TAS 19”)” published by the Official Gazette No. 28585 dated 12 March 2013 issued by Public Oversight Accounting and Auditing Standards Authority. “Transition and Validity Date” in the standard permits retrospective application. Thus, actuarial gains and losses have been accounted in “Other Profit Reserves” shown under “Equity” associated with “The Statement of Gains and Losses Recognized in Equity” for the respective reporting periods.

Pension fund

The employees of the Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on 15 May 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

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The first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court's 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 ("the Law") has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below:

- a) The technical interest rate to be used for the actuarial calculation is 9.80%
- b) Income and expenditures in respect to fund's insurance division are considered in the calculation of discounted liability.

Law requires the transfer to be completed in three years beginning from 1 January 2008. The three year period has expired on 8 May 2011; however, it has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated 3 May 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated 30 April 2014 has extended for one year.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security Foundation.

The technical financial statements of the Fund are audited by the certified actuary according to the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2015 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

XVI. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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Deferred taxes

According to the TAS 12 - *Income Taxes*; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the financial statements only if the Bank has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

In case valuation differences resulting from the subsequent measurement of the items are recognized in the statement of income, then the related current and or deferred tax effects are also recognized in the statement of income. On the other hand, if valuation differences are recognized in shareholders' equity, then the related current or deferred tax effects are also recognized directly in the shareholders' equity.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

Pursuant to the relevant Communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

XVII. ADDITIONAL INFORMATION ON BORROWINGS

The Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the Bank has started to obtain funds through domestic and international bonds.

These transactions are initially recognized at acquisition costs at the transaction date and are subsequently measured at amortized cost using effective interest method.

XVIII. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank's outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as "Share Premiums" in shareholders' equity. TL 448,429 of this amount has been utilized in capital increase on 19 December 2006.

XIX. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. As at the balance sheet date, there are no acceptances recorded as liability in return for assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

As at 31 December 2014 and 31 December 2013, the Bank does not have any government incentives.

XXI. INFORMATION ON SEGMENT REPORTING

Operational segments are determined based the structure of the Bank's risks and benefits and presented in Section 4 Note X.

XXII. OTHER DISCLOSURES

Earnings per shares

Earnings per share has been calculated by dividing the net profit for the year to weighted average of outstanding shares. In Turkey, the companies may perform capital increase ("Bonus Shares") from retained earnings. In earning per share computation bonus shares are treated as issued shares.

As at and for the year ended 31 December 2014, earnings per 100 shares are full TL 0.7013 (31 December 2013: full TL 0.6342).

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Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24 - Related Party Disclosures Standard. Transactions made with related parties are disclosed in Section 5 Note VII.

Cash and cash equivalents

Cash and cash equivalents which is a base for preparation of cash flow statement includes cash in TL, cash in FC, cheques, demand deposits for both Central Bank of Turkey ("CBT") and other banks, money market placements and time deposits at banks and marketable securities whose original maturity is less than three months.

Classifications

There might be certain reclassifications in the financial statements as of 31 December 2013 in order to maintain consistency with the financial statement presentation as of 31 December 2014 audit report. Accordingly the assets to be disposed classified under "Fixed Assets" which has an amount of TL 564,744 has been reclassified to "Assets Held for Sale and "Provision for Short-Term Employee Benefits" classified under the "Provision for Losses on Loans and Other Receivables" in statement of Income which has an amount of TL 127,968 has been reclassified to "Other Operating Expense".

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

I. CAPITAL ADEQUACY RATIO

The Bank's unconsolidated capital adequacy ratio is 13.96% (31 December 2013: 13.70%).

Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)", "Regulation on Credit Risk Mitigation Techniques" and "Communiqué on Risk Weighted Amounts for Securitization Exposures" published in Official Gazette no. 28337 dated 28 June 2012 and "Regulation on the Equity of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as "Trading Book" and "Banking Book"; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Bank classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies "basic financial guarantee method" in the consideration of risk mitigating elements for banking book accounts.

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks", subjected to risk mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for "Counterparty Credit Risk". The Bank applies "Fair Value Measurement" in the calculation of "Counterparty Credit Risk".

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Current Period	31 December 2014											
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%		
surplus credit risk weighted	54,978,227	10,597,030	37,813,961	23,371,738	56,480,407	2,986,884	9,434,959	97,738	-	-	-	-
Risk classifications:												
Claims on sovereigns and Central Banks	46,173,249	-	5,454,530	-	-	-	-	-	-	-	-	-
Claims on regional governments or local authorities	16,257	2,439,440	507,007	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	34,810	979	-	-	1,017,536	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,031,344	6,911,054	1,475,539	2,127	-	-	-	-	-	-	-	-
Claims on corporate	207,239	1,137,923	910,484	45,989,999	-	-	-	-	-	-	-	-
Claims included in the regulatory retail portfolios	121,740	41,820	23,371,738	1,185,664	-	-	-	-	-	-	-	-
Claims secured by residential property	-	-	29,466,401	3,401,067	-	-	-	-	-	-	-	-
Past due loans	-	-	-	240,075	-	-	-	-	-	-	-	-
Higher risk categories decided by the Agency	11,949	3,166	-	2,986,884	9,434,959	97,738	-	-	-	-	-	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
Other claims	1,381,639	62,648	-	4,643,939	-	-	-	-	-	-	-	-

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Prior Period	31 December 2013									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Surplus credit risk weighted	49,625,046	-	7,404,139	29,328,116	22,187,404	46,462,916	2,837,152	9,393,300	11,741	-
Risk classifications:										
Claims on sovereigns and Central Banks	41,333,609	-	-	3,872,745	-	-	-	-	-	-
Claims on regional governments or local authorities	15,021	-	1,620,366	195,923	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	29,436	-	-	-	-	368,455	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	6,664,562	-	5,764,189	1,784,983	-	1,486	-	-	-	-
Claims on corporate	329,916	-	-	1,416,370	-	36,980,737	-	-	-	-
Claims included in the regulatory retail portfolios	97,240	-	-	-	22,187,404	1,490,513	-	-	-	-
Claims secured by residential property	-	-	-	22,058,095	-	3,132,085	-	-	-	-
Past due loans	-	-	-	-	-	255,994	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,837,152	9,393,300	11,741	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,155,262	-	19,584	-	-	4,233,646	-	-	-	-

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Summary information related to capital adequacy ratio

	Bank
	Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	9,490,415
Capital Requirement for Market Risk (MRCR)	55,940
Capital Requirement for Operational Risk (ORCR)	777,799
Shareholders' Equity ⁽¹⁾	18,013,163
Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)	13.96
Tier 1 Capital/((CRCR+MRCR+ORCR) *12,5*100)	11.26
Common Equity Tier 1 Capital/((CRCR+MRCR+ORCR) *12,5*100)	11.35
	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,185,603
Capital Requirement for Market Risk (MRCR)	26,097
Capital Requirement for Operational Risk (ORCR) ⁽¹⁾	655,046
Shareholders' Equity	15,179,536
Shareholders' Equity/((CRCR+MRCR+ORCR) *12,5*100)	%13.70

⁽¹⁾ In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2013 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2012, 2011 and 2010 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 2011.

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Information on equity items

	Current Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	723,918
Share Cancellation Profits	-
Reserves	8,462,731
Other Comprehensive Income according to TAS	1,262,606
Profit	1,753,273
Current Period Profit	1,753,273
Previous Period Profit	-
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	69,222
Common Equity Tier 1 Capital Before Deductions	14,771,750
Deductions from Common Equity Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	97,140
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	28,153
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own 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 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 more of 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 than 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 Deductions from Common Equity Tier 1 Capital	125,293
Total Common Equity Tier 1 Capital	14,646,457
ADDITIONAL TIER 1 CAPITAL	
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 Tier 1 Capital before Deductions	-
Deductions from Additional Tier 1 Capital	
Direct and Indirect Investments of the Bank on its own Additional Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of 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 of 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-

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Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Deductions from Tier 1 Capital	112,613
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 (-)	112,613
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 (-)	-
Total Tier I Capital	14,533,844
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)	2,117,650
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	1,482,877
Tier II Capital before Deductions	3,600,527
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% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions 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	3,600,527
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	18,134,371
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable 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 (-)	120,737
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 (-)	471
The Portion of Total of Net Long Positions of the 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 Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than 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 Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued 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 (-)	-
TOTAL CAPITAL	18,013,163
Amounts below deduction thresholds	
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	72,437

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	Prior Period
CORE CAPITAL	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Adjustments to Paid-in Capital	-
Share Premium	723,918
Share repeal	-
Legal Reserves	7,009,581
Adjustments to Legal Reserves	-
Profit	1,585,539
Net current period profit	1,585,539
Prior period profit	-
Provision for possible losses up to 25% of core capital	70,915
Profit on sale of associates, subsidiaries and buildings	44,136
Primary subordinated loans (up to 15% of Core Capital)	-
Loss that is not covered with reserves (-)	-
Net current period loss	-
Prior period loss	-
Development cost of operating lease (-)	83,935
Intangible Assets (-)	108,608
Deferred-assets for tax which exceeds of 10% of core capital (-)	-
Excess amount expressed in the Law (Article 56, 3rd Paragraph) (-)	-
Total Core Capital	11,741,546
SUPPLEMENTARY CAPITAL	
General Provisions	1,190,739
45% of increase in revaluation fund on movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment in associates, subsidiaries and joint-ventures that is not recognized in profit	71,821
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loan	1,955,295
45% of value increase fund of financial assets available for sale and associates and subsidiaries	306,597
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Total Supplementary Capital	3,524,452
CAPITAL	15,265,998
DEDUCTIONS FROM CAPITAL	86,462
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	85,083
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Others	1,379
TOTAL EQUITY	15,179,536

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Components of items of shareholders' equity subject to temporary applications

	Bank Only	
	Amount Included in Equity Calculation	Total Amount
Minorities' share in Tier I capital	-	-
Third Parties' share in additional core capital	-	-
Third Parties' share in supplementary capital	-	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014)	2,117,650	2,117,650
Issuer	T.Vakıflar Bankası T.A.O.	
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91	
Governing law(s) of the instrument	TURKEY	
Regulatory treatment		
Subject to 10% deduction as of 1/1/2015	Yes	
Eligible at solo/group/group&solo	Available	
Instrument type	Borrowing Instrument	
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2,118	
Par value of instrument (in million)	2,088	
Accounting classification	347011	
Original date of issuance	1-Nov-12	
Perpetual or dated	Dated (10 years) Maturity Date: 1 November 2022	
Issue date	1-Nov-12	
Issuer call subject to prior supervisory approval	Available	
Optional call date, contingent call dates and redemption amount	-	
Subsequent call dates, if applicable	-	
Coupons / dividends		
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date	
Coupon rate and any related index	6.00% Fixed/Interest payment	
Existence of a dividend stopper	-	
Fully discretionary, partially discretionary or mandatory	-	
Existence of step up or other incentive to redeem	-	
Noncumulative or cumulative	-	
Convertible or non-convertible		
If convertible, conversion trigger (s)	-	
If convertible, fully or partially	-	
If convertible, conversion rate	-	
If convertible, mandatory or optional conversion	-	
If convertible, specify instrument type convertible into	-	
If convertible, specify issuer of instrument it converts into	-	
Write-down feature		
If write-down, write-down trigger(s)	-	
If write-down, full or partial	-	
If write-down, permanent or temporary	-	
If temporary write-down, description of write-up mechanism	-	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables	
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8	
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7	

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Approach adopted under internal capital adequacy assessment process for monitoring the adequacy of internal capital for current and future activities

In order to identify the internal capital adequacy assessment process and capital adequacy policy "Document on Internal Capital Adequacy Assessment Process" has been constituted and approved by Board of Directors on September 2012. The document includes planning of the capital, procedures and principles on emergency capital and risk reducing plans. The underlying objective of the internal capital adequacy assessment is continuous monitoring and maintaining of the varieties, components and distribution of capital required for eliminating actual and potential risks the Bank faces or might face.

In this process, the effect of market conditions and probable changes in economic environment on capital is evaluated, additionally loan expansion expectations, funding resources, liquidity opportunities issues and risk profile and risk appetite of the Bank are considered in accordance with the strategies and objectives of the Bank. Capital adequacy is evaluated in terms of strategic plan and growth expectations of the Bank for the year 2015 and accordingly capital increasing actions has taken in the year 2014.

In assessment process of internal capital requirement, credit risk, market risk, operational risk, interest rate risk arising from banking accounts, liquidity risk, reputation risk, residual risk, concentration risk, counterparty credit risk, sovereign risk and settlement risk are considered, and policies and implementing procedures for assessing and managing these risks are defined and approved by Board of Directors. Assessment process of internal capital requirement is handled as a developing process, action plans according to aforementioned policies and implementing procedures are formed and studies are in progress.

II. CREDIT RISK

Credit risk is defined as the counterparty's possibility of failing to fulfil its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may effect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analysed based on the balance sheets and the income statements provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Bank has risk control limits for derivative transaction (futures, options, etc.) positions, which effects credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

- the determination of credit risk policies in coordination with the Bank's other units,
- the determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,
- the contribution to the formation of rating and scoring systems,

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- the submitting to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,
- the studies regarding the formation of advanced credit risk measurement approaches.

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank's credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank's risk management concept, long term commitments are accepted more risky than short term commitments. Besides, risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Indemnified non-cash loans are regarded as the same risk weight with the loans that are pastdue and unpaid.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries' financial conditions, customers and their operations.

The Bank classifies its past due and impaired receivables as shown below in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside".

- for which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three- Loans and Other Receivables With Limited Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four- Loans and Other Receivables With Suspicious Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five - Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, and 100% provision for the Loans and Other Receivables classified in Group Four and Group Five. The provision amount is recognized in profit and loss statement of the period.

The Bank's largest 100 cash loan customers compose 22.08% of the total cash loan portfolio (31 December 2013: 19.74%).

The Bank's largest 100 non-cash loan customers compose 56.67% of the total non-cash loan portfolio (31 December 2013: 60.92%).

The Bank's largest 100 cash loan customers compose 14.56% of total assets of the Bank and the Bank's largest 100 non-cash loan customers compose 17.74% of total off-balance sheet items (31 December 2013: 12.60% and 11.73%).

The Bank's largest 200 cash loan customers compose 27.73% of the total cash loan portfolio (31 December 2013: 25.43%).

The Bank's largest 200 non-cash loan customers compose 68.35% of the total non-cash loan portfolio (31 December 2013: 71.10%).

The Bank's largest 200 cash loan customers compose 18.29% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 21.40% of total off-balance sheet items (31 December 2013: 16.23% ve 13.69%).

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The general provision for credit risk amounts to TL 1,603,242 (31 December 2013: TL 1,190,739).

Risk Classifications:	Current Period Risk Amount	Average Risk Amount⁽¹⁾
Claims on sovereigns and Central Banks	51,627,779	46,770,220
Claims on regional governments or local authorities	2,962,704	2,375,575
Claims on administrative bodies and other non-commercial undertakings	1,053,325	761,467
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,420,064	14,658,166
Claims on corporate	48,245,645	43,603,994
Claims included in the regulatory retail portfolios	24,720,962	23,300,626
Claims secured by residential property	32,867,468	29,860,458
Past due loans	240,075	249,719
Higher risk categories decided by the Agency	12,534,696	11,615,182
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	6,088,226	5,380,484

⁽¹⁾ Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2014 period.

Risk Classifications:	Prior Period Risk Amount	Average Risk Amount⁽¹⁾
Claims on sovereigns and Central Banks	45,206,354	38,223,559
Claims on regional governments or local authorities	1,831,310	1,350,015
Claims on administrative bodies and other non-commercial undertakings	397,891	306,869
Claims on multilateral development banks	-	26
Claims on international organizations	-	-
Claims on banks and intermediary institutions	14,215,220	12,825,302
Claims on corporate	38,727,023	33,310,254
Claims included in the regulatory retail portfolios	23,775,157	21,833,328
Claims secured by residential property	25,190,180	23,816,740
Past due loans	255,994	287,109
Higher risk categories decided by the Agency	12,242,193	9,751,510
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	5,408,492	4,577,994

⁽¹⁾ Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2013 period.

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Risk profile according to the geographical concentration ^(***)

Current Period	Claims on administrative bodies and other non-commercial undertakings			Claims on multilateral development banks		Claims on international organizations		Claims on banks and intermediary institutions		Claims included in the regulatory retail portfolios			Claims secured by residential property		Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	Total
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims secured by residential property	Claims secured by residential property	Claims secured by residential property	Claims secured by residential property	Claims secured by residential property	Claims secured by residential property									
Domestic	49,821,796	2,948,965	1,053,324	-	-	5,238,277	47,051,039	24,691,264	32,833,278	240,075	12,447,769	-	-	-	-	-	-	-	-	1,351,230	180,677,017	
EU countries ⁽¹⁾	-	-	-	-	-	9,407,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,407,111	
OECD countries	-	-	-	-	-	1,478	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,478	
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
USA, Canada	1,805,983	13,739	-	-	-	676,493	1,049,656	29,698	34,190	-	-	-	-	-	-	-	-	-	-	-	3,609,759	
Other countries	-	-	-	-	-	96,705	144,950	-	-	-	86,927	-	-	-	-	-	-	-	-	-	15	328,597
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,736,982	1,736,982
Undistributed Assets/Liabilities⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	51,627,779	2,962,704	1,053,324	-	-	15,420,064	48,245,645	24,720,962	32,867,468	240,075	12,534,696	-	-	-	-	-	-	-	-	6,088,227	195,760,944	

⁽¹⁾ EU countries, OECD countries except USA and Canada.

⁽²⁾ The assets and liabilities that can not be distributed according to a consistent base.

^(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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Risk profile according to the geographical concentration (***)

Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	Total
Domestic	43,363,341	1,831,310	397,891	-	-	4,153,679	38,152,311	23,775,157	25,190,180	255,994	11,931,127	-	-	-	-	5,397,742	154,448,732
EU countries	-	-	-	-	-	9,616,489	-	-	-	-	-	-	-	-	-	-	9,616,489
OECD countries	-	-	-	-	-	54,993	-	-	-	-	-	-	-	-	-	-	54,993
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	1,843,013	-	-	-	-	296,916	574,712	-	-	-	-	-	-	-	-	10,750	2,725,391
Other countries	-	-	-	-	-	26,879	-	-	-	-	311,066	-	-	-	-	-	337,945
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,264
Undistributed Assets/Liabilities ^(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	45,206,354	1,831,310	397,891	-	-	14,215,220	38,727,023	23,775,157	25,190,180	255,994	12,242,193	-	-	-	-	5,408,492	167,249,814

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

(**) The assets and liabilities that can not be distributed according to a consistent base.

(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total	
Agricultural	91	38	189,639	-	-	900,028	383,981	403,997	-	4,692	-	-	-	-	-	-	1,346,383	536,083	1,882,466	
<i>Farming and raising livestock</i>	91	38	189,639	-	-	588,334	333,616	351,702	-	4,261	-	-	-	-	-	-	1,211,280	256,401	1,467,681	
<i>Forestry</i>	-	-	-	-	-	280,965	31,160	24,346	-	185	-	-	-	-	-	-	77,753	238,903	336,656	
<i>Fishing</i>	-	-	-	-	-	30,729	19,205	27,949	-	246	-	-	-	-	-	-	57,350	20,779	78,129	
Manufacturing	1,004,291	39	160,377	-	-	19,899,003	2,485,075	4,843,193	-	7,121	-	-	-	-	-	-	11,480,951	16,918,148	28,399,099	
<i>Mining</i>	-	-	4,644	-	-	384,726	94,155	323,949	-	68	-	-	-	-	-	-	417,284	390,258	807,542	
<i>Production</i>	1,004,291	11	153,725	-	-	13,505,225	2,351,669	4,361,948	-	6,925	-	-	-	-	-	-	9,847,425	11,536,369	21,383,794	
<i>Electric Gas, Water</i>	-	28	2,008	-	-	6,009,052	39,251	157,296	-	128	-	-	-	-	-	-	1,216,242	4,991,521	6,207,763	
Construction	280	6	1	-	-	6,266,898	1,427,900	4,336,534	-	4,491	-	-	-	-	-	-	6,908,667	5,127,443	12,036,110	
Services	30,181,431	2,896,367	608,280	-	-	15,418,766	15,752,768	9,436,412	10,612,815	-	131,531	-	-	-	-	-	55,794,049	29,244,336	85,038,385	
<i>Wholesale and retail trade</i>	279	125	286	-	-	6,687,238	5,387,275	6,508,686	-	29,082	-	-	-	-	-	-	13,904,175	4,708,796	18,612,971	
<i>Hotel, Food and Beverage Services</i>	9	6	78	-	-	1,331,135	296,071	1,545,078	-	2,885	-	-	-	-	-	-	1,000,853	2,174,409	3,175,262	
<i>Transportation and Telecommunication</i>	11	-	240,027	-	-	4,255,744	3,392,287	1,353,077	-	9,016	-	-	-	-	-	-	5,309,017	3,941,145	9,250,162	
<i>Financial Institutions</i>	30,054,333	-	69	-	-	15,418,766	2,500,834	34,796	457,626	-	87,390	-	-	-	-	-	31,086,536	17,467,293	48,553,829	
<i>Real Estate and renting services</i>	-	-	3	-	-	299,465	73,037	138,421	-	1,138	-	-	-	-	-	-	396,997	115,067	512,064	
<i>Self-employment services</i>	-	-	3,786	-	-	643	-	-	-	-	-	-	-	-	-	-	4,429	-	4,429	
<i>Education services</i>	74	4	5,067	-	-	121,788	49,412	237,724	-	522	-	-	-	-	-	-	355,770	58,821	414,591	
<i>Health and social services</i>	126,725	2,896,232	358,964	-	-	555,921	203,534	372,203	-	1,498	-	-	-	-	-	-	3,736,272	778,805	4,515,077	
Other	20,441,686	66,254	95,027	-	-	1,298	5,426,948	10,987,594	12,670,929	240,075	12,386,861	-	-	-	-	-	6,088,212	46,766,457	68,404,884	
Total	51,627,779	2,962,704	1,053,324	-	-	15,420,064	48,245,645	24,720,962	32,867,468	240,075	12,534,696	-	-	-	-	-	6,088,227	122,296,507	73,464,437	195,760,944

○ Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Other receivables

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Risk profile according to sectors and counterparties (*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total	
Agricultural	44	27	15,451	-	-	-	967,691	318,992	285,059	-	-	-	-	-	-	-	1,166,654	420,610	1,587,264	
Farming and raising livestock	44	27	15,451	-	-	-	637,910	268,394	245,858	-	-	-	-	-	-	-	1,041,004	126,680	1,167,684	
Forestry	-	-	-	-	-	-	305,169	30,431	17,202	-	-	-	-	-	-	-	68,506	284,296	352,802	
Fishing	-	-	-	-	-	-	24,612	20,167	21,999	-	-	-	-	-	-	-	57,144	9,634	66,778	
Manufacturing	-	41	64,494	-	-	-	18,286,642	2,025,240	4,023,585	-	-	-	-	-	-	-	11,657,269	12,742,733	24,400,002	
Mining	-	-	19	-	-	-	379,666	67,858	353,435	-	-	-	-	-	-	-	404,441	396,537	800,978	
Production	-	21	64,473	-	-	-	12,365,662	1,911,607	3,576,549	-	-	-	-	-	-	-	9,482,613	8,435,699	17,918,312	
Electric, Gas, Water	-	20	2	-	-	-	5,541,314	45,775	93,601	-	-	-	-	-	-	-	1,770,215	3,910,497	5,680,712	
Construction	269	-	-	-	-	-	5,067,879	1,065,212	3,217,084	-	-	-	-	-	-	-	5,792,755	3,557,689	9,350,444	
Services	19,832,981	1,771,202	207,709	-	-	-	14,211,959	11,837,505	7,890,421	8,033,589	-	-	-	-	-	-	27,406,058	36,690,374	64,096,432	
Wholesale and retail trade	61	134	6,612	-	-	-	5,769,302	4,412,772	4,892,942	-	-	-	-	-	-	-	11,523,547	3,558,276	15,081,823	
Hotel, Food and Beverage Services	5	7	5	-	-	-	469,492	221,191	1,300,888	-	-	-	-	-	-	-	840,318	1,151,270	1,991,588	
Transportation and Telecommunication	13	-	14,781	-	-	-	3,247,662	2,975,620	981,639	-	-	-	-	-	-	-	4,717,078	2,502,637	7,219,715	
Financial Institutions	19,687,863	-	20	-	-	-	14,211,959	1,549,141	24,861	379,064	-	-	-	-	-	-	7,271,963	28,892,011	36,163,974	
Real Estate and renting services	-	-	-	-	-	-	204,782	57,917	87,625	-	-	-	-	-	-	-	322,441	27,883	350,324	
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education services	52	6	3,870	-	-	-	141,505	37,174	148,115	-	-	-	-	-	-	-	264,690	66,032	330,722	
Health and social services	144,987	1,771,055	182,421	-	-	-	455,621	160,886	243,316	-	-	-	-	-	-	-	2,466,021	492,265	2,958,286	
Other	25,373,060	60,040	110,237	-	-	-	3,261	2,567,306	12,475,292	9,630,863	255,994	11,931,127	-	-	-	-	61,556,770	6,258,902	67,815,672	
Total	45,206,354	1,831,310	397,891	-	-	-	14,215,720	38,727,023	23,775,157	25,190,180	255,994	12,242,193	-	-	-	-	5,408,492	107,579,506	59,670,308	167,249,814

* Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Other receivables

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Distribution of maturity risk factors according to their outstanding maturities ^(*)

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	4,837,977	644,411	1,150,586	818,234	44,176,571
Claims on regional governments or local authorities	9,500	4,726	23,639	55,293	2,869,546
Claims on administrative bodies and other non-commercial undertakings	22,754	32,027	62,030	222,500	714,014
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	11,995,597	810,595	482,369	76,307	2,055,196
Claims on corporate	2,811,153	3,317,094	3,952,856	8,790,375	29,374,167
Claims included in the regulatory retail portfolios	491,774	960,663	1,649,647	4,177,825	17,441,053
Claims secured by residential property	573,828	1,048,581	1,696,829	4,030,103	25,518,127
Past due loans	-	-	-	-	240,075
Higher risk categories decided by the Agency	-	-	-	14,320	12,520,376
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	-	-	-	-	6,088,226
Total	20,742,583	6,818,097	9,017,956	18,184,957	140,997,351

^(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

Distribution of maturity risk factors according to their outstanding maturities ^(*)

Risk Classifications-Prior Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	25,028,822	1,066,798	1,573,671	1,190,052	16,347,011
Claims on regional governments or local authorities	3,985	10,989	11,665	38,725	1,765,946
Claims on administrative bodies and other non-commercial undertakings	8,905	36,099	33,520	59,274	260,093
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	10,191,742	2,167,472	21,015	169,763	1,665,228
Claims on corporate	2,034,009	2,726,245	4,437,032	6,262,877	23,266,860
Claims included in the regulatory retail portfolios	5,197,370	804,177	1,415,796	3,166,087	13,191,727
Claims secured by residential property	737,553	744,859	1,356,481	2,717,731	19,633,556
Past due loans	-	-	-	-	255,994
Higher risk categories decided by the Agency	311,066	-	-	-	11,931,127
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	1,174,846	-	-	-	4,233,646
Total	44,688,298	7,556,639	8,849,180	13,604,509	92,551,188

^(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE 1. OF SECTION THREE

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Risk balances according to risk weights

Risk Weights Current Period											Deductions from the shareholders' equity	
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%		
Pre-Amount of Credit Risk												
Mitigation	47,554,085	-	16,779,325	37,737,598	23,535,298	57,619,942	2,990,704	9,446,254	97,738	-	-	359,114
Amount after Credit Risk												
Mitigation	54,978,227	-	10,597,030	37,813,961	23,371,738	56,480,407	2,986,884	9,434,959	97,738	-	-	359,114

Risk Weights Prior Period											Deductions from the shareholders' equity	
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%		
Pre-Amount of Credit Risk												
Mitigation	42,488,871	-	12,281,012	31,132,458	22,284,644	46,820,636	2,837,152	9,393,300	11,741	-	-	279,005
Amount after Credit Risk												
Mitigation	49,625,046	-	7,404,139	29,328,116	22,187,404	46,462,916	2,837,152	9,393,300	11,741	-	-	279,005

In determination of counterparty credit risk of the receivables from Banks operated abroad, ratings given by International Credit Rating Agency Fitch Rating are considered. Rating of the same company is also used in the assessment of risks from foreign currency investment securities issued by Turkish Treasury and other foreign currency risks associated with Central Administration of Turkish Republic.

Ratings Matched	Credit Quality Rank	Fitch
	1	AAA between AA-
	2	A+ between A-
Long Term Credit Ratings	3	BBB+ between BBB-
	4	BB+ between BB-
	5	B+ between B-
	6	CCC+ and below
Short Term Credit Ratings	1	F1+ between F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

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Information According to Sectors and Counterparties

Current Period	Loans			
	Impaired ^(*)	Past Due ^(**)	Value Adjustments	Provisions
Agricultural	83,397	33,519	806	81,560
<i>Farming and raising livestock</i>	72,134	29,466	632	70,661
<i>Forestry</i>	7,255	1,271	90	6,917
<i>Fishing</i>	4,008	2,782	84	3,982
Manufacturing	836,017	281,898	11,181	807,279
<i>Mining</i>	29,054	7,706	3,240	28,379
<i>Production</i>	801,801	269,229	7,900	774,085
<i>Electric, Gas, Water</i>	5,162	4,963	41	4,815
Construction	443,816	179,450	5,530	421,708
Services	1,282,999	1,286,706	29,871	1,199,082
<i>Wholesale and retail trade</i>	801,397	599,838	15,099	751,491
<i>Hotel, Food and Beverage Services</i>	46,878	78,793	1,445	44,130
<i>Transportation and telecommunication</i>	279,587	433,429	9,073	260,933
<i>Financial Institutions</i>	4,889	2,999	78	4,160
<i>Real estate and renting services</i>	9,901	8,672	234	8,788
<i>Self-employment services</i>	109,544	121,114	3,041	101,835
<i>Education services</i>	6,055	9,717	170	4,031
<i>Health and social services</i>	24,748	32,144	731	23,714
Other	1,328,143	1,983,048	79,209	1,224,668
Total	3,974,372	3,764,621	126,597	3,734,297

(*) Impaired loans are composed of group three, four and five loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

Prior Period	Loans			
	Impaired ^(*)	Past Due ^(**)	Value Adjustments	Provisions
Agricultural	75,172	51,378	1,497	70,726
<i>Farming and raising livestock</i>	62,099	48,035	1,400	58,484
<i>Forestry</i>	7,558	1,962	57	7,334
<i>Fishing</i>	5,515	1,381	40	4,908
Manufacturing	948,934	275,140	8,020	917,512
<i>Mining</i>	33,748	9,924	289	33,576
<i>Production</i>	910,917	260,254	7,586	879,785
<i>Electric, Gas, Water</i>	4,269	4,962	145	4,151
Construction	381,103	185,365	5,403	355,654
Services	1,070,391	1,216,644	35,465	961,611
<i>Wholesale and retail trade</i>	628,329	537,467	15,667	567,913
<i>Hotel, Food and Beverage Services</i>	49,015	103,370	3,013	33,599
<i>Transportation and telecommunication</i>	257,698	403,943	11,775	235,968
<i>Financial Institutions</i>	4,379	3,154	92	3,957
<i>Real estate and renting services</i>	8,987	8,945	261	8,280
<i>Self-employment services</i>	92,457	123,479	3,599	84,677
<i>Education services</i>	3,200	9,041	264	2,987
<i>Health and social services</i>	26,326	27,245	794	24,230
Other	1,055,827	1,874,849	54,652	969,929
Total	3,531,427	3,603,376	105,037	3,275,432

(*) Impaired loans are composed of group three, four and five loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

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Current Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Close out Balance
Specific Provisions	3,275,433	1,145,464	(686,600)	-	3,734,297
General Provisions	1,190,739	412,503	-	-	1,603,242

^(*) Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

Prior Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Close out Balance
Specific Provisions	2,459,569	1,406,520	(590,657)	-	3,275,433
General Provisions	956,059	234,417	-	263	1,190,739

^(*) Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

Fair value of collateral held against impaired loans

	31 December 2014	31 December 2013
Cash collateral ^(*)	-	-
Mortgage	1,131,152	908,623
Promissory note ^(*)	-	-
Others ^(**)	2,843,220	2,622,804
Total	3,974,372	3,531,427

^(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

^(**) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

The detail of collateral held against performing cash and non-cash loans by the Bank

Cash loans	31 December 2014	31 December 2013
Secured Loans:	78,861,414	63,699,025
Secured by mortgages	32,330,313	18,093,124
Secured by cash collateral	666,941	384,250
Guarantees issued by financial institutions	3,586	178,628
Secured by government institutions or government securities	930,621	176,565
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	44,929,953	44,866,458
Unsecured Loans	25,482,028	22,797,198
Total performing loans	104,343,442	86,496,223

Non-cash loans	31 December 2014	31 December 2013
Secured Loans:	12,533,762	10,500,046
Secured by mortgages	1,092,107	678,781
Secured by cash collateral	383,395	85,525
Guarantees issued by financial institutions	-	5,408
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	11,058,260	9,730,332
Unsecured Loans	16,100,161	12,841,333
Total non-cash loans	28,633,923	23,341,379

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III. MARKET RISK

The Bank calculates market risk using standard method and allocates legal capital in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank's assets and liabilities is calculated.

The market risk analysis of the Bank is reported "monthly" and sent to the related regulatory institutions.

Value at market risk

	Current Period	Prior Period
(I) Capital Obligation against General Market Risk - Standard Method	13,128	9,862
(II) Capital Obligation against Specific Risks - Standard Method	99	22
Capital to be employed for specific risk in securitisation positions- Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	34,268	9,399
(IV) Capital Obligation against Stocks Risks - Standard Method	-	-
(V) Capital Obligation against Exchange Risks - Standard Method	-	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	234	-
(VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method	8,211	6,814
(VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-	-
(IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII)	55,940	26,097
(X) Value-At-Market Risk (12.5xVIII) or (12.5xIX)	699,250	326,213

Average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	8,972	13,029	6,069	7,612	13,147	3,506
Common Share Risk	227	2,523	-	65	783	-
Currency Risk	22,858	35,156	8,046	62,345	159,223	9,399
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	1,677	3,804	42	102	929	-
Counterparty Credit Risk	9,451	11,383	8,020	4,330	10,889	2,048
Total Value at Risk	539,814	703,345	359,499	930,669	2,188,882	326,218

Information on Counterparty Credit Risk

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

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In calculation of the counterparty credit risk "Valuation Method on the Basis of Fair Value" is implemented in the scope of "Regulation on Calculation and Assessment of Capital Adequacy of the Banks". The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

Information about counterparty risk

	Current Period ^(*)	Prior Period ^(*)
Contracts based on interest rate	60,885	17,566
Contracts based on currency	100,177	102,978
Contracts based on commodity	-	-
Contracts based on stocks	-	10
Other	-	-
Gross Positive Fair Value	161,062	120,554
Benefits of clarification	-	-
Clarified current risk amount	-	-
The securities which are held	-	-
The net position of derivatives	161,062	120,554

^(*) Counterparty risk related to purchase/sale accounts is given.

IV. OPERATIONAL RISK

The Bank calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

Current Period	31 December 2011	31 December 2012	31 December 2013	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	6,159,500	5,191,308	4,205,182	3	15	777,799
Amount subject to operational risk (Total*12.5)						9,722,488

Prior Period	31 December 2010	31 December 2011	31 December 2012	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3,704,421	4,205,182	5,191,308	3	15	655,046
Amount subject to operational risk (Total*12.5)						8,188,075

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V. FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives

As at 31 December 2014 and 31 December 2013 the Bank does not have derivate financial instruments held for risk management.

Foreign exchange risk management policy

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced.

In the light of the national legislations and international applications, the Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank.

The Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	2.3200	2.8223
Foreign currency purchase rates for the days before balance sheet date;		
Day 1	2.2700	2.7542
Day 2	2.2900	2.7922
Day 3	2.2700	2.7721
Day 4	2.2700	2.7735
Day 5	2.2700	2.7635
	US Dollar	Euro
Last 30-days arithmetical average rate	2.2265	2.7516

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Information on currency risk

Current Period	Euro	US Dollar	Other FCs	Total
Assets:				
Cash and balances with the Central Bank of Turkey	1,950,899	11,525,455	4,282,297	17,758,651
Banks	92,726	2,392,720	70,441	2,555,887
Financial assets at fair value through profit or loss ⁽¹⁾	-	30,633	-	30,633
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	819,967	2,873,509	-	3,693,476
Loans and receivables ⁽²⁾	8,602,119	22,034,004	28,331	30,664,454
Associates, subsidiaries and joint-ventures	321,124	-	-	321,124
Held-to-maturity investments	-	92,844	-	92,844
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	1,372	-	1,372
Intangible assets	-	111	-	111
Other assets ⁽³⁾	8,022	532,607	62,163	602,792
Total assets	11,794,857	39,483,255	4,443,232	55,721,344
Liabilities:				
Bank deposits	640,393	2,770,161	16,518	3,427,072
Foreign currency deposits	9,231,732	12,446,226	948,601	22,626,559
Interbank money market takings	-	6,591,668	-	6,591,668
Other funding	5,311,583	8,724,893	2,634	14,039,110
Securities issued	1,459,110	6,085,457	-	7,544,567
Miscellaneous payables	164,619	22,719	35,861	223,199
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ^{(1) (3) (4)}	38,011	3,087,450	1,561	3,127,022
Total liabilities	16,845,448	39,728,574	1,005,175	57,579,197
Net 'on balance sheet' position	(5,050,591)	(245,319)	3,438,057	(1,857,853)
Net 'off-balance sheet' position	5,259,448	701,095	(3,430,091)	2,530,452
Derivative assets ⁽⁶⁾	7,286,590	8,766,209	1,377,221	17,430,020
Derivative liabilities ⁽⁶⁾	2,027,142	8,065,114	4,807,312	14,899,568
Non-cash loans ⁽⁵⁾	2,206,271	9,304,139	260,328	11,770,738
Prior Period	Euro	US Dollar	Other FCs	Total
Total assets	14,677,498	30,249,768	3,880,770	48,808,036
Total liabilities	15,140,121	31,301,957	1,189,554	47,631,632
Net 'on balance sheet' position	(462,623)	(1,052,189)	2,691,216	1,176,404
Net 'off-balance sheet' position	570,050	1,099,915	(2,701,033)	(1,031,068)
Derivative assets ⁽⁶⁾	1,787,998	8,258,319	1,437,036	11,483,353
Derivative liabilities ⁽⁶⁾	1,217,948	7,158,404	4,138,069	12,514,421
Non-cash loans ⁽⁵⁾	1,526,332	7,179,775	347,230	9,053,337

⁽¹⁾ Derivative financial assets amounting to TL 6,468 (31 December 2013: TL 56,541) and liabilities amounting to TL 113,526 (31 December 2013: TL 38,006) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 2,763,606 (31 December 2013: TL 2,548,480) which are presented in TL column in the balance sheet are included in the table above.

⁽³⁾ Prepaid expenses amounting to TL 56,439 (31 December 2013: TL 33,487) and equities amounting to TL 374,894 (31 December 2013: TL 203,640) are not included.

⁽⁴⁾ Unearned revenues amounting to TL 46,050 (31 December 2013: TL 30,782) are not included.

⁽⁵⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

⁽⁶⁾ Asset purchase commitments amounting to TL 1,327,706 (31 December 2013: TL 1,716,686) and asset sales commitments amounting to TL 1,312,928 (31 December 2013: TL 1,919,728) are included.

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Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the year ended 31 December 2014 and 2013 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2014		31 December 2013	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(43,934)	(43,934)	2,146	2,146
EUR	11,227	11,227	(14,941)	(14,941)
Other currencies	(571)	(571)	(986)	(986)
Total, net	(33,278)	(33,278)	(13,781)	(13,781)

^(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

10 percent appreciation of the TL against the following currencies as at and for the year ended 31 December 2014 and 2013 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	31 December 2014		31 December 2013	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	45,429	45,429	(510)	(510)
Euro	(11,227)	(11,227)	14,941	14,941
Other currencies	797	797	1,489	1,489
Total, net	34,999	34,999	15,920	15,920

^(*) Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

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VI. INTEREST RATE RISK

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

Bank's interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBT	3,055,551	-	-	-	-	18,829,428	21,884,979
Banks	2,158,787	114,574	6,245	-	-	291,014	2,570,620
Financial assets at fair value through profit/loss	158,375	164,087	6,250	28,995	21,869	619	380,195
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2,629,343	2,018,908	5,222,280	4,234,901	2,217,850	15	16,323,297
Loans and receivables	33,327,775	22,020,835	21,643,728	16,994,647	10,356,457	240,075	104,583,517
Held-to-maturity investments	281,186	1,559,200	3,180,566	290,780	1,542,861	-	6,854,593
Other assets ⁽¹⁾	15,993	110	4,868	47,165	528	5,551,861	5,620,525
Total assets	41,627,010	25,877,714	30,063,937	21,596,488	14,139,565	24,913,012	158,217,726
Liabilities:							
Bank deposits	4,340,899	452,338	22,912	-	-	59,910	4,876,059
Other deposits	44,970,026	19,229,378	5,909,177	19,415	-	16,752,913	86,880,909
Interbank money market takings	15,596,871	233,330	349,241	-	205,860	-	16,385,302
Miscellaneous payables	-	-	-	-	-	3,160,415	3,160,415
Securities issued	718,111	2,188,178	2,584,786	4,966,682	-	-	10,457,757
Funds borrowed	3,795,555	6,750,842	3,566,606	70,562	743,483	-	14,927,048
Other liabilities ⁽²⁾	142,908	19,277	127,000	458,380	1,660,806	19,121,865	21,530,236
Total liabilities	69,564,370	28,873,343	12,559,722	5,515,039	2,610,149	39,095,103	158,217,726
On balance sheet long position	-	-	17,504,215	16,081,449	11,529,416	-	45,115,080
On balance sheet short position	(27,937,360)	(2,995,629)	-	-	-	(14,182,091)	(45,115,080)
Off-balance sheet long position	705,056	1,698,093	1,201,132	548,903	879,885	-	5,033,069
Off-balance sheet short position	(46,669)	(37,825)	(1,201,132)	(1,853,104)	(1,657,085)	-	(4,795,815)
Position, Net	(27,278,973)	(1,335,361)	17,504,215	14,777,248	10,752,216	(14,182,091)	237,254

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets, and deferred tax are included in non-interest bearing column.

⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	18,968,081	18,968,081
Banks	2,010,259	100,755	2,070	-	-	526,053	2,639,137
Financial assets at fair value through profit/loss	167,159	220,696	34,116	11,685	2,034	-	435,690
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	5,314,189	2,386,603	2,692,024	3,207,601	2,677,005	10,765	16,288,187
Loans and receivables	26,066,086	18,855,961	16,370,316	15,638,026	9,565,834	255,994	86,752,217
Held-to-maturity investments	914,868	418,308	2,022,196	495,822	1,552,621	-	5,403,815
Other assets ^(*)	13,462	85	10,506	72,469	425	4,911,969	5,008,916
Total assets	34,486,023	21,982,408	21,131,228	19,425,603	13,797,919	24,672,862	135,496,043
Liabilities:							
Bank deposits	3,170,922	869,432	103,153	-	-	18,821	4,162,328
Other deposits	39,030,456	19,270,048	5,371,683	40,261	-	13,658,038	77,370,486
Interbank money market takings	12,424,832	237,295	1,005,685	809,269	-	-	14,477,081
Miscellaneous payables	-	-	-	-	-	2,696,105	2,696,105
Securities issued	406,641	1,432,595	1,769,861	3,275,729	-	-	6,884,826
Fund borrowed	553,136	4,525,154	5,516,612	89,542	720,368	-	11,404,812
Other liabilities ^(**)	125,881	17,423	141,525	410,940	1,502,582	16,302,054	18,500,405
Total liabilities	55,711,868	26,351,947	13,908,519	4,625,741	2,222,950	32,675,018	135,496,043
On balance sheet long position	-	-	7,222,709	14,799,862	11,574,969	-	33,597,540
On balance sheet short position	(21,225,845)	(4,369,539)	-	-	-	(8,002,156)	(33,597,540)
Off-balance sheet long position	545,993	1,482,402	-	-	-	-	2,028,395
Off-balance sheet short position	-	-	(77,250)	(979,931)	(695,500)	-	(1,752,681)
Position, Net	(20,679,852)	(2,887,137)	7,145,459	13,819,931	10,879,469	(8,002,156)	275,714

(*) Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.

(**) Equity is included in non-interest bearing column in other liabilities line.

Average interest rates applied to monetary financial instruments:

Current Period	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	1.51
Banks	0.01	0.28	-	10.47
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.25	6.96	-	7.19
Loans and receivables	4.36	5.40	-	12.70
Held-to-maturity investments	-	1.58	-	5.56
Liabilities:				
Bank deposits	0.66	0.42	-	8.59
Other deposits	1.99	2.13	-	9.22
Interbank money market takings	-	0.95	-	9.82
Miscellaneous payables	-	-	-	-
Securities issued	3.47	3.45	-	9.06
Funds borrowed	0.96	1.58	-	7.04

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Prior Period	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.01	0.35	-	10.35
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.63	7.11	-	7.58
Loans and receivables	5.52	6.92	-	13.50
Held-to-maturity investments	-	3.31	-	6.83
Liabilities:				
Bank deposits	1.00	0.71	-	8.21
Other deposits	2.82	2.51	-	8.16
Interbank money market takings	0.39	1.19	-	7.61
Miscellaneous payables	-	-	-	-
Securities issued	1.53	4.06	-	8.74
Funds borrowed	1.03	1.55	-	5.57

The interest rate risk of the banking book items:

Measurement Rate of Interest Rate Risk

Interest rate risk arising from banking book accounts is calculated in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" are presented in the below table:

Currency Unit-Current Period	Applied Shock (+/- x base point)	Gain/Loss	Gain/Equity-Loss/ Equity
1. TRY	500 / (400)	(2,440,546) / 2,452,172	(13.54%) / 13.61%
2. EURO	200 / (200)	178,773 / (9,440)	0.99% / (0.05%)
3. USD	200 / (200)	441,639 / (383,071)	2.45% / (2.13%)
Total (For Negative Shocks)	-	2,059,661	11.43%
Total (For Positive Shocks)	-	(1,820,134)	(10.10%)

Currency Unit-Prior Period	Applied Shock (+/- x base point)	Gain/Loss	Gain/Equity-Loss/ Equity
1. TRY	500 / (400)	(2,412,990) / 2,441,246	(15.89%) / 16.08%
2. EURO	200 / (200)	34,736 / 10,115	0.23% / 0.07%
3. USD	200 / (200)	457,473 / (383,076)	3.01% / (2.52%)
Total (For Negative Shocks)	-	2,068,285	13.63%
Total (For Positive Shocks)	-	(1,920,781)	(12.65%)

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Stock position risks arising from banking book items:

Information on separations of risks according to objectives including their relation with gains presented in equity and strategically reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes

If carrying value is substantially different from fair value and for publicly traded shares if market value is substantially different from fair value, the comparison with the market prices are shown in the table below:

Current Period	Comparison		
	Carrying Value	Fair Value ⁽¹⁾	Market Value ⁽²⁾
Stock Investments			
Stocks quoted in exchange⁽¹⁾	631,875	631,875	631,875
1.Stocks Investments Group A	631,875	631,875	631,875
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange⁽²⁾	1,105,121	1,053,476	-

⁽¹⁾ The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

⁽²⁾ The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

Prior Period	Comparison		
	Carrying Value	Fair Value	Market Value
Stock Investments			
Stocks quoted in exchange⁽¹⁾	675,754	675,754	675,754
1.Stocks Investments Group A	675,754	675,754	675,754
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange⁽²⁾	946,004	886,839	-

⁽¹⁾ The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

⁽²⁾ The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

Total unrealized gain or loss, total revaluation surplus and values included to principal and supplementary capital

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ⁽¹⁾	Included in Supplementary Capital	Total ⁽¹⁾	Included in Core Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	204,847	204,847
3. Other Stocks	-	524,807	524,807	-	-
4. Total	-	524,807	524,807	204,847	204,847

⁽¹⁾ Amounts are presented including the effect of deferred tax.

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Portfolio-Prior Period	Realized Gain/ Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	419,600	-	188,820
3. Other Stocks	-	412,957	185,830	-	-	-
4. Total	-	412,957	185,830	419,600	-	188,820

(*) Amounts are presented including the effect of deferred tax.

VII. LIQUIDITY RISK

In order to avoid the liquidity risk, the Bank diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions and international bond issues. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Assets:								
Cash and balance with CBT	18,829,428	3,055,551	-	-	-	-	-	21,884,979
Banks	2,096,480	353,321	114,574	6,245	-	-	-	2,570,620
Financial assets at fair value through profit/loss	619	59,800	45,503	6,250	246,154	21,869	-	380,195
Interbank money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	29,371	643,394	1,755,689	7,319,164	6,575,664	15	16,323,297
Loans and receivables	-	9,760,026	3,780,425	19,103,092	46,736,824	24,963,075	240,075	104,583,517
Held-to-maturity investments	-	-	92,844	202,211	1,509,417	5,050,121	-	6,854,593
Other assets	-	881,126	110	4,868	119,602	528	4,614,291	5,620,525
Total assets	20,926,527	14,139,195	4,676,850	21,078,355	55,931,161	36,611,257	4,854,381	158,217,726
Liabilities:								
Bank deposits	59,910	4,340,899	452,338	22,912	-	-	-	4,876,059
Other deposits	16,752,913	44,970,026	19,229,378	5,909,177	19,415	-	-	86,880,909
Funds borrowed	-	1,237,218	850,182	6,529,162	2,560,240	3,750,246	-	14,927,048
Interbank money market takings	-	15,596,871	233,330	349,241	-	205,860	-	16,385,302
Securities issued	-	717,590	2,188,013	2,364,232	5,187,922	-	-	10,457,757
Miscellaneous payables	-	2,781,158	56,601	-	-	-	322,656	3,160,415
Other liabilities	-	602,206	283,189	9,687	37,883	2,221,605	18,375,666	21,530,236
Total liabilities	16,812,823	70,245,968	23,293,031	15,184,411	7,805,460	6,177,711	18,698,322	158,217,726
Liquidity gap	4,113,704	(56,106,773)	(18,616,181)	5,893,944	48,125,701	30,433,546	(13,843,941)	-
Prior Period								
Total assets	21,337,007	11,043,432	4,548,822	17,799,419	47,642,546	28,597,769	4,527,048	135,496,043
Total liabilities	13,676,859	58,102,416	22,682,545	14,571,517	6,425,170	3,914,314	16,123,222	135,496,043
Liquidity gap	7,660,148	(47,058,984)	(18,133,723)	3,227,902	41,217,376	24,683,455	(11,596,174)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity in the liabilities have been included in this column.

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Residual contractual maturities of the financial liabilities

Current Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,876,059	4,879,012	59,910	4,341,671	453,419	24,012	-	-
Other deposits	86,880,909	87,345,379	16,752,913	45,091,487	19,424,640	6,056,284	20,055	-
Funds borrowed	14,927,048	15,845,654	-	1,240,618	854,153	6,607,235	2,794,190	4,349,458
Money market takings	16,385,302	16,396,538	-	15,604,502	233,628	351,133	-	207,275
Issued Securities (Net)	10,457,757	11,312,237	-	713,864	2,208,287	2,407,908	5,982,178	-
Miscellaneous payables	3,160,415	3,160,415	322,656	2,781,158	56,601	-	-	-
Other liabilities	3,601,609	4,553,819	904,356	393,062	35,016	9,687	37,883	3,173,815
Total	140,289,099	143,493,054	18,039,835	70,166,362	23,265,744	15,456,259	8,834,306	7,730,548
Non-Cash Loans	28,633,923	28,633,923	243,079	835,912	16,437,467	6,930,286	3,503,638	683,541
Prior Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,162,328	4,173,074	18,821	3,172,488	876,802	104,963	-	-
Other deposits	77,370,486	77,780,892	13,658,038	39,125,612	19,449,353	5,505,354	42,535	-
Funds borrowed	11,404,812	12,044,724	-	219,476	740,950	6,244,484	2,037,282	2,802,532
Money market takings	14,477,081	14,503,549	-	12,428,032	237,537	1,011,566	826,414	-
Issued Securities (Net)	6,884,826	7,626,518	-	406,116	1,441,546	1,818,518	3,960,338	-
Miscellaneous payables	2,696,105	2,696,105	243,022	2,402,513	50,570	-	-	-
Other liabilities	3,394,530	4,386,428	992,300	289,786	24,299	148,355	496,656	2,435,032
Total	120,390,168	123,211,290	14,912,181	58,044,023	22,821,057	14,833,240	7,363,225	5,237,564
Non-Cash Loans	23,341,379	23,341,379	264,268	370,339	13,664,337	5,657,505	2,729,612	655,318

This table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the financial statements.

Securitisation Positions

None.

Credit risk mitigation techniques

"Basic Financial Guarantee" method is used for the financial guarantees in accordance with "Communique on Credit Risk Mitigation". Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

Applications on guarantees' valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovables that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with "Communique on Credit Risk Mitigation" and include minimum conditions regarding guarantee valuation and management.

Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

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Main guarantors, credit derivatives' counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

Risk Classification - Current Period	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	51,627,779	4,810,208	-	-
Claims on regional governments or local authorities	2,962,704	19,276	-	-
Claims on administrative bodies and other non-commercial undertakings	1,053,325	63,400	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	15,420,064	7,032,378	-	-
Claims on corporate	48,245,645	514,692	-	634,888
Claims included in the regulatory retail portfolios	24,720,962	199,482	-	-
Claims secured by residential property	32,867,468	-	-	-
Past due loans	240,075	-	-	-
Higher risk categories decided by the Agency	12,534,696	15,115	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	6,088,226	-	-	-
Total	195,760,944	12,654,551	-	634,888

Risk Classification-Prior Period	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	45,206,354	4,179,918	-	-
Claims on regional governments or local authorities	1,831,310	18,209	-	-
Claims on administrative bodies and other non-commercial undertakings	397,891	48,355	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	14,215,220	6,664,579	-	-
Claims on corporate	38,727,023	376,873	-	-
Claims included in the regulatory retail portfolios	23,775,157	112,261	-	-
Claims secured by residential property	25,190,180	-	-	-
Past due loans	255,994	-	-	-
Higher risk categories decided by the Agency	12,242,193	-	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization exposures	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	5,408,492	-	-	-
Total	167,249,814	11,400,195	-	-

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Risk management strategies and policies

Risk management strategies are determined so as to support the Bank's objectives and goals and maintain Bank's presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

Bank's risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets:				
Receivables from Interbank Money Markets	-	-	-	-
Banks	2,570,620	2,639,137	2,570,620	2,639,137
Available-for-Sale Financial Assets	16,323,297	16,288,187	16,323,297	16,288,187
Held-to-Maturity Investments	6,854,593	5,403,815	6,983,593	5,184,485
Loans	104,583,517	86,752,217	105,477,073	86,971,951
Financial Liabilities:				
Bank Deposits	4,876,059	4,162,328	4,876,059	4,162,328
Other Deposits	86,880,909	77,370,486	86,925,247	77,370,486
Funds Borrowed	14,927,048	11,404,812	14,926,784	11,404,812
Securities Issued	10,457,757	6,884,826	10,388,073	6,884,826
Subordinated Loans	2,138,030	1,974,142	2,138,030	1,974,142
Miscellaneous Payables	3,160,415	2,696,105	3,160,415	2,696,105

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of fixed-interest loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate carrying value also represents fair value.

Fair value of other assets and liabilities is calculated by adding accumulated acquisition costs and the sum of the interest accrual.

Classification of Fair Value Measurement

IFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

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Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	619	379,576	-	380,195
Derivative financial assets held for trading purpose	619	379,576	-	380,195
Available-for-sale financial assets	14,832,268	1,491,014	-	16,323,282
Debt securities	14,832,268	1,491,014	-	16,323,282
Investments in associates and subsidiaries	631,875	-	1,053,475 ⁽¹⁾	1,685,350
Total Financial Assets	15,464,762	1,870,590	1,053,475	18,388,827
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(250,252)	-	(250,252)
Total Financial Liabilities	-	(250,252)	-	(250,252)
31 December 2013				
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	435,690	-	435,690
Derivative financial assets held for trading purpose	-	435,690	-	435,690
Available-for-sale financial assets	14,623,200	1,654,222	-	16,277,422
Debt securities	14,623,200	1,654,222	-	16,277,422
Investments in associates and subsidiaries	675,754	-	886,839 ⁽¹⁾	1,562,593
Total Financial Assets	15,298,954	2,089,912	886,839	18,275,705
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(200,778)	-	(200,778)
Total Financial Liabilities	-	(200,778)	-	(200,778)

⁽¹⁾ This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2014 is as follows:

	Level 3 Current	
	Period	Level 3 Prior Period
Balance at the beginning of the year	886,839	731,211
Total gains or losses for the year recognised in profit or loss	-	-
Total gains or losses for the year recognised under equity	166,636	155,628
Balance at the end of the year	1,053,475	886,839

IX. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST

The Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Bank is not involved in trust activities.

X. SEGMENT REPORTING

The Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network was built in order to serve customers’ needs effectively and efficiently.

Additionally, the Bank provides “small business” banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers’ needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	3,573,807	5,752,608	2,044,674	2,498	11,373,587
<i>Interest income from loans</i>	<i>3,573,807</i>	<i>5,752,608</i>	-	-	<i>9,326,415</i>
<i>Interest income from reserve deposits</i>	-	-	<i>2,015</i>	-	<i>2,015</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,035,273</i>	-	<i>2,035,273</i>
<i>Interest income from banks</i>	-	-	<i>7,006</i>	-	<i>7,006</i>
<i>Interest income from money market transactions</i>	-	-	<i>380</i>	-	<i>380</i>
<i>Other interest income</i>	-	-	-	<i>2,498</i>	<i>2,498</i>
Interest Expense	2,047,479	2,835,590	1,812,619	26,421	6,722,109
<i>Interest expense on deposits</i>	<i>2,047,479</i>	<i>2,835,590</i>	<i>161,564</i>	-	<i>5,044,633</i>
<i>Interest expense on funds borrowed</i>	-	-	<i>167,476</i>	-	<i>167,476</i>
<i>Interest expense on money market transactions</i>	-	-	<i>912,931</i>	-	<i>912,931</i>
<i>Interest expense on securities issued</i>	-	-	<i>450,732</i>	-	<i>450,732</i>
<i>Other interest expenses</i>	-	-	<i>119,916</i>	<i>26,421</i>	<i>146,337</i>
Net Interest Income	1,526,328	2,917,018	232,055	(23,923)	4,651,478
Net Fees and Commissions Income	489,121	220,213	-	-	709,334
Trading Income/ Losses (Net)	-	-	223,119	-	223,119
Dividend Income	-	-	66,288	-	66,288
Other Income	-	-	-	1,345,534	1,345,534
Provision For Losses on Loans and Other Receivables	541,083	681,603	35,680	413,501	1,671,867
Other Expenses	-	-	-	3,110,210	3,110,210
Profit Before Taxes	1,474,366	2,455,628	485,782	(2,202,100)	2,213,676
Provision for taxes	-	-	-	(460,403)	(460,403)
Net Profit/ Loss	1,474,366	2,455,628	485,782	(2,662,503)	1,753,273
SEGMENT ASSETS					
Securities Portfolio	-	-	23,177,890	-	23,177,890
Derivative financial assets held for trading purpose	-	-	380,195	-	380,195
Banks and Receivables From Money Markets	-	-	2,570,620	-	2,570,620
Investments in Associates and Subsidiaries	-	-	1,736,982	-	1,736,982
Loans	32,952,925	71,630,592	-	-	104,583,517
Other Assets	-	-	20,860,935	4,907,587	25,768,522
TOTAL ASSETS	32,952,925	71,630,592	48,726,622	4,907,587	158,217,726
SEGMENT LIABILITIES					
Deposits	36,352,846	50,532,382	4,871,740	-	91,756,968
Derivative Financial Liabilities Held for Trading Purpose	-	-	250,252	-	250,252
Interbank Money Market	-	-	16,385,302	-	16,385,302
Funds Borrowed	-	-	14,927,048	-	14,927,048
Securities Issued	-	-	10,457,757	-	10,457,757
Other Liabilities	-	-	2,341,732	4,432,461	6,774,193
Provisions and Tax Liabilities	-	-	-	2,894,456	2,894,456
Equity	-	-	-	14,771,750	14,771,750
TOTAL LIABILITIES AND EQUITY	36,352,846	50,532,382	49,233,831	22,098,667	158,217,726

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Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	3,237,622	4,326,319	1,598,277	58,352	9,220,570
<i>Interest income from loans</i>	3,237,622	4,326,319	-	-	7,563,941
<i>Interest income from securities portfolio</i>	-	-	1,590,648	-	1,590,648
<i>Interest income from banks</i>	-	-	7,004	-	7,004
<i>Interest income from money market transactions</i>	-	-	625	-	625
<i>Other interest income</i>	-	-	-	58,352	58,352
Interest Expense	1,484,464	1,949,389	962,712	34,388	4,430,953
<i>Interest expense on deposits</i>	1,484,464	1,949,389	88,798	-	3,522,651
<i>Interest expense on funds borrowed</i>	-	-	134,533	-	134,533
<i>Interest expense on money market transactions</i>	-	-	375,321	-	375,321
<i>Interest expense on securities issued</i>	-	-	260,003	-	260,003
<i>Other interest expenses</i>	-	-	104,057	34,388	138,445
Net Interest Income	1,753,158	2,376,930	635,565	23,964	4,789,617
Net Fees and Commissions Income	416,792	269,719	-	-	686,511
Trading Income/ Losses (Net)	-	-	231,657	-	231,657
Dividend Income	-	-	54,001	-	54,001
Other Income	-	-	-	708,320	708,320
Provision For Losses on Loans and Other Receivables	332,842	1,007,409	145,732	243,288	1,729,271
Other Expenses	-	-	-	2,757,921	2,757,921
Profit Before Taxes	1,837,108	1,639,240	775,491	(2,268,925)	1,982,914
Provision for taxes	-	-	-	(397,375)	(397,375)
Net Profit/ Loss	1,837,108	1,639,240	775,491	(2,666,300)	1,585,539
SEGMENT ASSETS					
Securities Portfolio	-	-	21,692,002	-	21,692,002
Derivative financial assets held for trading purpose	-	-	435,690	-	435,690
Banks and Receivables From Money Markets	-	-	2,639,137	-	2,639,137
Investments in Associates and Subsidiaries	-	-	1,610,993	-	1,610,993
Loans	30,567,397	56,184,820	-	-	86,752,217
Other Assets	-	-	17,951,402	4,414,602	22,366,004
TOTAL ASSETS	30,567,397	56,184,820	44,329,224	4,414,602	135,496,043
SEGMENT LIABILITIES					
Deposits	31,318,850	46,058,463	4,155,501	-	81,532,814
Derivative Financial Liabilities Held for Trading Purpose	-	-	200,778	-	200,778
Interbank Money Market	-	-	14,477,081	-	14,477,081
Funds Borrowed	-	-	11,404,812	-	11,404,812
Securities Issued	-	-	6,884,826	-	6,884,826
Other Liabilities	-	-	2,158,084	3,989,068	6,147,152
Provisions and Tax Liabilities	-	-	-	2,232,259	2,232,259
Equity	-	-	-	12,616,321	12,616,321
TOTAL LIABILITIES AND EQUITY	31,318,850	46,058,463	39,281,082	18,837,648	135,496,043

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,008,203	362,556	860,452	288,899
Central Bank of Turkey ⁽¹⁾	3,055,674	17,385,018	922,802	16,870,433
Others	62,451	11,077	19,584	5,911
Total	4,126,328	17,758,651	1,802,838	17,165,243

⁽¹⁾ TL 16,156,471 (31 December 2013: TL 14,542,489) of the foreign currency deposit at Central Bank of Turkey consists of foreign currency reserve deposits and TL 1,255 from total amount of TL consists of (31 December 2013: None) reserve deposit interest accrual.

In accordance with "Announcement on Reserve Deposits" of CBT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate of 11.5% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2013: 11.5% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 13% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2013: 13% for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	3,054,416	1,228,547	922,799	1,043,944
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	3	-	3	1,284,000
Reserve Deposits	1,255	16,156,471	-	14,542,489
Total	3,055,674	17,385,018	922,802	16,870,433

2. Further information on financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

None.

Trading securities subject to repurchase agreements

None.

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Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	3,616	474	28,203	375
Swap Transactions	338,329	31,410	327,932	77,115
Futures	-	-	-	-
Options	530	5,217	15	2,050
Others	-	-	-	-
Total	342,475	37,101	356,150	79,540

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	14,733	2,555,887	40,177	2,598,960
Domestic	14,733	348,007	40,177	92,664
Foreign	-	2,207,880	-	2,506,296
Foreign Head Offices and Branches	-	-	-	-
Total	14,733	2,555,887	40,177	2,598,960

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	116,487	137,228	97,060	1,793
USA, Canada	1,884,681	1,935,066	13,108	92,891
OECD Countries ^(*)	7,629	27,089	-	-
Off-shore Banking Regions	210	229	-	-
Others	88,705	312,000	-	-
Total	2,097,712	2,411,612	110,168	94,684

(*) OECD countries other than European Union countries, USA and Canada

(**) Restricted balances that occur from securization loans and other common banking activities

4. Information on available-for-sale financial assets

Available-for-sale financial assets given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	1,624,464	354,106	241,746	261,615
Others	-	-	-	-
Total	1,624,464	354,106	241,746	261,615

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Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	8,668,579	-	8,312,947	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	3,132,480	-	2,988,480
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	8,668,579	3,132,480	8,312,947	2,988,480

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	16,351,196	16,626,284
Quoted	16,351,196	16,626,284
Unquoted	-	-
Equity securities	15	10,765
Quoted	-	-
Unquoted	15	10,765
Provision for impairment on available-for-sale financial assets (-)	27,914	348,862
Total	16,323,297	16,288,187

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	10,174	-	27,065
Legal entities	-	10,174	-	27,065
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	86,082	-	79,430	-
Total	86,082	10,174	79,430	27,065

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Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables		Agreement conditions modified Payment plan	Loans and other receivables		Agreement conditions modified Payment plan
Cash Loans		extensions	Other		extensions	Other
Non-specialized loans	99,300,909	386,885	-	3,853,837	798,209	-
Loans given to enterprises	28,428,948	249,232	-	1,190,196	497,520	-
Export loans	4,153,291	-	-	86,524	6,014	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3,003,513	-	-	-	-	-
Consumer loans	27,888,673	137,570	-	1,448,244	243,627	-
Credit cards	4,079,933	-	-	294,593	8,212	-
Other	31,746,551	83	-	834,280	42,836	-
Specialized lending	3,602	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	99,304,511	386,885	-	3,853,837	798,209	-

Information related to the changes in the payment plans of loans and other receivables:

	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
Number of modifications to extend payment plans		
Extended for 1 or 2 times	386,885	528,800
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
Extended period of time		
0-6 Months	1,875	3,813
6 - 12 Months	6,623	10,647
1-2 Years	36,262	29,307
2-5 Years	267,320	430,957
5 Years and Over	74,805	54,076

(*) The above tables include the change in the payment plans of standard and under close monitoring loans and other receivables after 28 May 2011.

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
		Loans and Other Receivables		Loans and Other Receivables
Cash loans				
Short-term Loans and Other Receivables	27,203,859	279,719	1,149,012	72,131
Loans	27,203,859	279,719	1,149,012	72,131
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	72,100,651	107,166	2,704,826	726,078
Loans	72,097,049	107,166	2,704,826	726,078
Specialization loans	3,602	-	-	-
Other Receivables	-	-	-	-

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Consumer loans, retail credit cards, personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	367,436	27,841,867	28,209,303
Housing Loans	6,184	14,309,704	14,315,888
Automobile Loans	4,180	431,240	435,420
General Purpose Loans	296,214	11,152,980	11,449,194
Other	60,858	1,947,943	2,008,801
Consumer Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards – TL	3,010,894	72,025	3,082,919
With Installment	1,337,216	53,246	1,390,462
Without Installment	1,673,678	18,779	1,692,457
Retail Credit Cards – FC	1,433	-	1,433
With Installment	-	-	-
Without Installment	1,433	-	1,433
Personnel Loans – TL	2,783	35,212	37,995
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	2,680	34,776	37,456
Other	103	436	539
Personnel Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	47,872	123	47,995
With Installment	18,454	104	18,558
Without Installment	29,418	19	29,437
Personnel Credit Cards – FC	92	-	92
With Installment	-	-	-
Without Installment	92	-	92
Overdraft Checking Accounts – TL (Real persons)	1,470,746	-	1,470,746
Overdraft Checking Accounts – FC (Real persons)	70	-	70
Total	4,901,326	27,949,227	32,850,553

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Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans - TL	928,103	20,568,682	21,496,785
Real Estate Loans	191	588,076	588,267
Automobile Loans	38,552	1,635,894	1,674,446
General Purpose Loans	889,360	18,344,712	19,234,072
Other	-	-	-
Installment-based Commercial Loans - FC indexed	28,821	822,166	850,987
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	28,821	822,166	850,987
Other	-	-	-
Installment-based Commercial Loans - FC	-	4,089,784	4,089,784
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	4,089,784	4,089,784
Corporate Credit Cards - TL	1,250,035	155	1,250,190
With Installment	520,658	155	520,813
Without Installment	729,377	-	729,377
Corporate Credit Cards - FC	109	-	109
With Installment	-	-	-
Without Installment	109	-	109
Overdraft Checking Accounts - TL (Corporate)	701,874	-	701,874
Overdraft Checking Accounts - FC (Corporate)	-	-	-
Total	2,908,942	25,480,787	28,389,729

Allocation of loan customers

	Current Period	Prior Period
Public Sector	1,299,532	1,092,102
Private Sector	103,043,910	85,404,121
Total	104,343,442	86,496,223

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic Loans	104,145,709	86,333,859
Overseas Loans	197,733	162,364
Total	104,343,442	86,496,223

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	74,105	68,800
Indirect Loans Provided to the Subsidiaries and Associates	-	-
Total	74,105	68,800

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Specific provisions for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	60,286	63,999
Loans and Receivables with Doubtful Collectability	546,295	659,768
Uncollectible Loans and Receivables	3,127,716	2,551,666
Total	3,734,297	3,275,433

Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured or rescheduled

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	34,563	92,576	82,945
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	34,563	92,576	82,945
Prior period	46,682	72,045	65,263
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	46,682	72,045	65,263

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	319,993	659,768	2,551,666
Additions (+)	1,270,292	41,474	30,345
Transfers from other categories of loans under follow-up (+) ^(*)	-	1,162,570	1,120,247
Transfers to other categories of loans under follow-up (-) ^(*)	1,153,697	1,169,911	92,312
Collections (-)	136,227	147,606	482,230
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balance at the end of the period	300,361	546,295	3,127,716
Specific provision (-)	60,286	546,295	3,127,716
Balance, net	240,075	-	-

^(*) Loans that are transferred from restructured loans to non-performing loans and from non-performing loans to restructured loans are presented in the Transfers from and to other categories of loans under follow-up lines.

Uncollectible loans and receivables are collected by liquidation of collaterals and legal follow-up.

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Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance at the end of the period	7,681	2,907	244,100
Specific provision (-)	1,536	2,907	244,100
Net balance on balance sheet	6,145	-	-
Prior Period			
Balance at the end of the period	33,864	1,980	301,479
Specific provision (-)	6,773	1,980	301,479
Net balance on balance sheet	27,091	-	-

Non-performing foreign currency denominated loans are followed in TL accounts.

Loan customer concentration of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Consumer and Commercial Loans (Gross)	297,145	539,926	3,067,758
Specific Provision (-)	59,643	539,926	3,067,758
Consumer and Commercial Loans (Net)	237,502	-	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	3,216	6,369	58,407
Specific Provision (-)	643	6,369	58,407
Other Loans and Receivables (Net)	2,573	-	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	317,165	653,115	2,499,959
Specific Provision (-)	63,433	653,115	2,499,959
Consumer and Commercial Loans (Net)	253,732	-	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2,828	6,653	50,156
Specific Provision (-)	566	6,653	50,156
Other Loans and Receivables (Net)	2,262	-	-

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6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	6,761,749	-	5,358,742	-
Treasury Bills	-	-	-	-
Other Securities Issued by the Governments	-	-	-	2,234
Total	6,761,749	-	5,358,742	2,234

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	6,860,448	5,461,175
Quoted at Stock Exchanges	6,767,604	5,418,336
Unquoted at Stock Exchanges	92,844	42,839
Impairment Losses (-)	5,855	57,360
Total	6,854,593	5,403,815

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	5,403,815	4,253,606
Foreign currency differences on monetary assets	7,990	52,537
Purchases during the period	2,924,991	2,530,205
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,764,546)	(1,507,738)
Impairment losses	51,505	13,979
Change in amortized costs of the securities ⁽¹⁾	230,838	61,226
Balances at the end of the period	6,854,593	5,403,815

⁽¹⁾ Differences in the amortized costs of the marketable securities are included in this column.

Information on held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	931,961	92,800	972,002	92,844
Investments subject to repurchase agreements	5,289,597	-	5,629,267	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ⁽¹⁾	150,772	-	160,480	-
Total	6,372,330	92,800	6,761,749	92,844

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.

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Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	287,360	42,800	281,131	42,839
Investments subject to repurchase agreements	4,716,595	-	4,831,384	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ⁽¹⁾	247,800	2,140	246,227	2,234
Total	5,251,755	44,940	5,358,742	45,073

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.

7. Information on investments in associates

Information on investments in associates

Associate	Address(City/ Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Kibris Vakıflar Bankası Ltd. ⁽¹⁾	Lefkosa/NCTR	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ ⁽²⁾	Istanbul/Turkey	8.38	8.38
3 Roketsan Roket Sanayi ve Ticaret AŞ ⁽¹⁾	Ankara/Turkey	9.93	9.93
4 Bankalararası Kart Merkezi AŞ ⁽¹⁾	Istanbul/Turkey	9.70	9.70
5 Kredi Kayıt Bürosu AŞ ⁽¹⁾	Istanbul/Turkey	9.09	9.09
6 Güçbirliği Holding AŞ ⁽¹⁾	Izmir/Turkey	0.07	0.07
7 İzmir Enternasyonel Otelcilik AŞ ⁽¹⁾	Istanbul/Turkey	5.00	5.00
8 İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	Istanbul/Turkey	4.37	4.37
9 Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/Turkey	1.75	1.75
10 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkosa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	816,668	66,183	9,763	47,380	6,077	1,459	2,263	-
2	16,225,701	2,424,251	292,546	535,988	283,216	374,111	295,154	3,029,090
3	2,483,266	497,045	436,151	12,471	-	96,304	30,555	-
4	52,777	30,264	32,405	681	-	7,882	4,171	-
5	105,453	88,452	47,272	3,178	-	18,547	28,150	-
6	131,180	(11,594)	88,005	334	-	(5,556)	(7,114)	-
7	96,808	15,581	92,347	4	-	(8,536)	(10,855)	-
8	5,265,146	776,726	20,740	116,803	18,797	96,179	53,588	-
9	287,208	282,357	2,731	9,979	-	10,212	10,729	-
10	1,323	(53,453)	-	-	-	(4,039)	(3,145)	-

⁽¹⁾ The financial statements for these associates as at and for the period ended 30 September 2014 are presented.

⁽²⁾ Figures are obtained from audited financial statements as at and for the period ended 31 December 2014 disclosed in Public Disclosure Platform.

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Movement table of investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	245,523	398,063
Movements during the period	59,946	(152,540)
Transfers	-	(155,712)
Acquisitions and capital increases	-	8,745
Bonus shares received	19,985	25,500
Income/loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	39,961	(31,073)
Impairment losses	-	-
Balance at the end of the period	305,469	245,523
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

In the current period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 is paid from bonus shares and TL 60,000 is paid in cash amounting to TL 180,000 in total. The share of the Bank amounting to TL 3,230 is presented as bonus shares received in the movement table of investments in associates. The stock right in cash capital commitment has been removed related to the capital increase, Banks' share has been decreased from 4.86% to %4.37.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,300,000 to TL 1,500,000 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, the capital of İstanbul Takas ve Saklama Bankası, an associate of the Bank, has been increased from TL 60,000 to TL 420,000, TL 180,000 is paid from its own resources and TL 180,000 is paid in cash amounting to TL 360,000 in total. The share of the Bank amounting to TL 8,745 is presented as bonus shares received and TL 8,745 is presented as acquisitions and capital increases in the movement table of investments in associates.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, from TL 1,100,000 to TL 1,300,000, by the General Assembly of the Company, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ that were accounted as investments in associates in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in associates.

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The title of World Vakif Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakif UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakif UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakif UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakif UBB Ltd. has been reclassified "Investments in associates".

The liquidation process of World Vakif UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on 27 August 2013. Thus, the company's title has been changed as "World Vakif UBB Ltd in Liquidation".

Sectoral distribution of investments in financial associates

	Current Period	Prior Period
Banks	289,858	229,912
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	4,211	4,211
Total	294,069	234,123

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	253,838	197,122
Quoted at international stock exchanges	-	-
Total	253,838	197,122

Investments in associates disposed during the period

There is not any associate disposed in the current period.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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8. Investments in subsidiaries

Information on financial subsidiaries

	Vakıfbank International		Vakıf Yatırım Menkul Değerler AŞ		Vakıf Finansal Kiralama AŞ		Vakıf Finansal Hizmetler AŞ		Vakıf Faktoring		Vakıf Sigorta AŞ		Vakıf Emeklilik AŞ		Vakıf Portföy Yönetimi AŞ		Vakıf Gayrimenkul Yat. Ort. AŞ		Vakıf Menkul Kıymet Yat. Ort. AŞ		
	AG		AG		AG		AG		AG		AG		AG		AG		AG		AG		AG
Paid in Capital	114,483	65,000	35,000	22,400	22,400	150,000	26,500	3,000	203,320	15,000											
Share Premium	-	-	-	-	-	-	-	-	246,731	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment to paid-in capital	-	353	137	28,817	28,817	1,448	10,424	15	21,973	93											
Valuation changes in marketable securities	13,758	2,577	25,507	-	-	142,617	515	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	-	17,734	(1,201)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	59	191	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Reserves	7,237	3,890	5,455	4,988	4,988	17,179	15,921	872	3,639	395											
Extraordinary Reserves	-	36,845	3,788	32,280	32,280	18,851	33,816	6,006	54,773	-											
Other Profit Reserves	119,600	217	2,345	66	66	(569)	(96)	17	7	(20)											
Profit/Loss	121,094	953	3,645	310	310	(145,339)	56,433	1,918	14,465	(2,831)											
Prior Years' Profit/Loss	96,215	-	810	(8,962)	(8,962)	(124,742)	41,213	-	-	(2,509)											
Current Years' Profit/Loss	24,879	953	2,835	9,272	9,272	(20,597)	15,220	1,918	14,465	(322)											
Minority Rights	-	99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Core Capital	376,172	109,934	75,877	88,861	88,861	201,980	142,503	11,828	544,908	12,637											
SUPPLEMENTARY CAPITAL																					
CAPITAL	376,172	109,934	75,877	88,861	88,861	201,980	142,503	11,828	544,908	12,637											
NET AVAILABLE EQUITY	376,172	109,934	75,877	88,861	88,861	201,980	142,503	11,828	544,908	12,637											

The financial statements as at and for the period ended 30 September 2014 are presented.

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with "Comminique on Capital and Capital Adequacy of Intermediary Firms" of CMB every 6 month. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with "Comminique on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Undersecretariat of Treasury every 6 month. According to the calculations at 31 December 2014, there is no capital requirement for the subsidiaries mentioned.

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Information on investments in subsidiaries

Subsidiary	Address (City / Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ ^(*)	İstanbul/TURKEY	36.35	36.35
2 Vakıf Emeklilik AŞ ^(*)	İstanbul/ TURKEY	53.90	75.30
3 Vakıf Finans Factoring Hizmetleri AŞ ^(*)	İstanbul/ TURKEY	78.39	86.97
4 Vakıf Finansal Kiralama AŞ ^(**)	İstanbul/ TURKEY	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ ^(*)	İstanbul/ TURKEY	99.00	99.44
6 Vakıfbank International AG ^(*)	Vienna/AUSTRIA	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ ^(*)	İstanbul/ TURKEY	99.99	99.99
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(**)	İstanbul/ TURKEY	22.89	32.91
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(**)	İstanbul/ TURKEY	38.70	40.64
10 Vakıf Enerji ve Madencilik AŞ ^(***)	Ankara/ TURKEY	65.50	84.92
11 Taksim Otelcilik AŞ ^(*)	İstanbul/ TURKEY	51.00	51.52
12 Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(*)	İstanbul/ TURKEY	69.33	74.98
13 Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/ TURKEY	54.29	58.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Company's Fair Value
1	1,139,731	236,575	329,814	17,490	678	4,630	(66,962)	290,829
2	2,822,175	180,271	84,906	24,101	436	21,162	28,265	551,118
3	454,817	88,861	2,401	30,490	-	7,558	2,406	83,267
4	1,147,446	109,934	6,510	61,349	5	953	3,835	76,901
5	343,995	75,876	328	12,138	388	2,835	5,567	79,971
6	2,789,203	376,172	819	55,251	11,369	24,880	4,784	356,805
7	12,254	11,823	146	839	14	1,913	1,433	46,944
8	12,946	12,639	42	370	534	(320)	(1,164)	19,574
9	546,482	544,908	157,376	15,082	993	14,465	3,277	575,432
10	17,015	8,796	1,063	310	-	182	(548)	14,000
11	309,232	303,566	182,275	7,620	-	6,080	4,836	356,734
12	51,331	42,325	786	1,885	192	5,046	1,475	45,635
13	30,885	25,468	635	1,879	128	4,362	5,790	39,000

^(*) The financial statements for these subsidiaries as at and for the period ended 30 September 2014 are presented.

^(**) Figures are obtained from financial statements as at and for the period ended 30 September 2014 disclosed in Public Disclosure Platform.

^(***) The financial statements for these subsidiaries as at and for the period ended 30 June 2014 are presented.

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Movement table of investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	1,365,470	912,209
Movements during the period	66,043	453,261
Transfers	-	155,712
Acquisitions and capital increases	205,713	82,227
Bonus shares received	-	60,443
Dividends from current year profit	(34,017)	(16,155)
Sales and liquidations	-	-
Fair value changes	(107,850)	217,617
Impairment losses	2,197	(46,583)
Balance at the end of the period	1,431,513	1,365,470
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Methods to measure investments in subsidiaries

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,431,513	1,365,470
Equity method of accounting	-	-
Total	1,431,513	1,365,470

Sectoral distribution of investments in financial subsidiaries

	Current Period	Prior Period
Insurance companies	402,768	341,750
Banks	321,124	270,577
Factoring companies	65,273	87,205
Leasing companies	45,149	36,636
Finance companies	-	-
Other financial subsidiaries	353,283	427,815
Total	1,187,597	1,163,983

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	378,037	478,632
Quoted at international stock exchanges	-	-
Total	378,037	478,632

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

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Investments in subsidiaries acquired during the period

There is no subsidiary acquired in the current period.

In the current period, Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Comminique on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, Bank's total nominal share has increased to TL 4,579 and share proportion has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share proportion of the Bank is remained the same (51.001%). TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014. Total cash commitment TL 33,151 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share proportion has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

In the prior period, subsequent to the approval of the decision to increase the paid capital of Taksim Otelcilik AŞ, a subsidiary of the Bank, from TL 97,150 to TL 269,257, by the Extraordinary General Assembly of the company on 27 August 2013, the share of the Bank is increased from TL 49,547 to TL 137,324 (TL 57,176 from retained earnings and TL 30,601 from cash, in total TL 87,777) and the share proportion of the Bank is remained the same. TL 7,650 is paid on 13 September 2013 and TL 22,950 is paid on 2 December 2013 from TL 30,601 which is Bank's share of cash capital commitment. The share of the Bank amounting to TL 57,176 is presented in the bonus shares received and TL 30,601 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, from TL 60,000 to TL 65,000, by the General Assembly of the company, the share of the Bank amounting to TL 2,936 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, a subsidiary of the Bank, from TL 105,000 to TL 106,200, by the General Assembly of the company, the share of the Bank amounting to TL 331 is presented as bonus shares received in movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf International AG, a subsidiary of the Bank, from EUR 45,000 (in thousands) to EUR 70,000 (in thousands), by the General Assembly of the company, the share of the Bank amounting to TL 51,626 is presented in acquisitions and capital increases in the movement table of investments in subsidiaries.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ that were accounted as investments in associate in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in subsidiary.

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9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	594,804	137,115	47,761	763,587	1,543,267
Accumulated depreciation(-)	241,134	126,114	35,152	482,076	884,476
Impairment (-)	-	-	-	-	-
Net book value	353,670	11,001	12,609	281,511	658,791
Balance at the end of the current year:					
Net book value at the beginning of the current year	353,670	11,001	12,609	281,511	658,791
Additions	18,601	-	2,069	155,222	175,892
Cost of the disposals	12,387	2,662	7,161	17,779	39,989
Depreciation of the disposals	5,384	2,641	6,598	11,587	26,210
Depreciation of the current year (-)	18,173	2,951	5,722	85,058	111,904
Impairment (-)	-	-	-	-	-
Cost at the end of the current year	601,018	134,453	42,669	901,030	1,679,170
Accumulated depreciation at the end of the year (-)	253,923	126,424	34,276	555,547	970,170
Impairment (-) ^(*)	-	-	-	-	-
Net book value at the end of the current year	347,095	8,029	8,393	345,483	709,000

13. Information on intangible assets

Bank's intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Bank divides the extinction share of intangible assets according to inflation adjusted values.

In the current year an intangible asset that presents severity for the financial statements does not exist. The Bank does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Bank did not declared a commitment to purchase intangible assets.

14. Information on investment property

None.

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15. Information on deferred tax assets

As at 31 December 2014 and 31 December 2013, items generating deferred tax assets or liabilities are listed below:

	Current period	Prior Period
Deferred tax assets:	227,132	161,089
Provision for employee termination benefits and unused vacations	81,013	69,685
Other provisions	28,083	42,708
Valuation differences of associates and subsidiaries	23,456	23,456
Valuation differences of financial assets and liabilities	82,413	14,557
BRSA - Tax Code depreciation differences	10,131	8,789
Others	2,036	1,894
Deferred tax liabilities:	(154,695)	(109,483)
Valuation differences of financial assets and liabilities	(114,636)	(63,656)
Valuation differences of associates and subsidiaries	(40,059)	(45,827)
Deferred tax assets, net	72,437	51,606

16. Information on assets held for sale and assets related to the discontinued operations

As at 31 December 2014 assets held for sale and assets related to the discontinued operations amount to TL 745,883 (31 December 2013: TL 564,744)

17. Information on other assets

As at 31 December 2014 and 31 December 2013 other assets are as follows:

	Current period	Prior Period
Receivables from credit card payments	772,007	596,284
Prepaid expenses	617,476	516,014
Guarantees given for derivative financial instruments	351,579	61,219
Guarantees given for repurchase agreements	193,605	392,641
Receivables from term sale of assets	68,664	96,948
Others	212,142	351,068
Total	2,215,473	2,014,174

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	3,715,353	-	463,572	18,032,423	1,393,667	328,345	136,781	-	24,070,141
Foreign Currency Deposits	3,234,204	-	2,197,700	11,340,861	1,411,649	759,201	2,828,588	-	21,772,203
Residents in Turkey	3,056,529	-	2,195,602	11,162,513	1,193,080	494,191	794,731	-	18,896,646
Residents in Abroad	177,675	-	2,098	178,348	218,569	265,010	2,033,857	-	2,875,557
Public Sector Deposits	3,583,281	-	2,370,191	5,695,639	437,138	2,788,470	190,212	-	15,064,931
Commercial Deposits	2,157,535	-	4,622,420	10,102,792	430,016	233,506	5,478	-	17,551,747
Others	3,208,185	-	1,102,804	2,747,775	380,429	98,701	29,638	-	7,567,532
Precious Metal Deposits	854,355	-	-	-	-	-	-	-	854,355
Bank Deposits	59,910	-	3,599,082	1,086,606	80,387	33,206	16,868	-	4,876,059
Central Bank	424	-	-	-	-	-	-	-	424
Domestic Banks	2,094	-	3,288,392	422,069	2,016	33,206	16,868	-	3,764,645
Foreign Banks	53,763	-	310,690	664,537	78,371	-	-	-	1,107,361
Participation Banks	3,629	-	-	-	-	-	-	-	3,629
Others	-	-	-	-	-	-	-	-	-
Total	16,812,823	-	14,355,769	49,006,096	4,133,286	4,241,429	3,207,565	-	91,756,968

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	2,981,927	-	303,254	15,576,713	1,449,324	403,340	180,434	-	20,894,992
Foreign Currency Deposits	1,992,924	-	2,002,090	9,024,414	1,264,688	1,363,669	2,613,593	-	18,261,378
Residents in Turkey	1,664,304	-	1,997,406	8,786,795	1,124,231	1,183,491	981,537	-	15,737,764
Residents in Abroad	328,620	-	4,684	237,619	140,457	180,178	1,632,056	-	2,523,614
Public Sector Deposits	3,132,866	-	1,811,779	5,896,887	595,073	330,113	173,382	-	11,940,100
Commercial Deposits	1,759,439	-	2,931,949	10,834,940	1,312,786	418,441	114,238	-	17,371,793
Others	2,732,077	-	908,535	2,707,201	526,608	949,011	19,986	-	7,843,418
Precious Metal Deposits	1,058,805	-	-	-	-	-	-	-	1,058,805
Bank Deposits	18,821	-	2,178,793	1,282,805	375,303	213,701	92,905	-	4,162,328
Central Bank	297	-	-	-	-	-	-	-	297
Domestic Banks	637	-	2,012,419	323,664	281,629	30,992	-	-	2,649,341
Foreign Banks	11,351	-	166,374	959,141	93,674	182,709	92,905	-	1,506,154
Participation Banks	6,536	-	-	-	-	-	-	-	6,536
Others	-	-	-	-	-	-	-	-	-
Total	13,676,859	-	10,136,400	45,322,960	5,523,782	3,678,275	3,194,538	-	81,532,814

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Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12,652,145	10,798,600	11,417,996	10,096,392
Foreign Currency Saving Deposits	3,846,786	3,422,906	8,435,919	7,000,952
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	16,498,931	14,221,506	19,853,915	17,097,344

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	21,061	16,584
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	3,905	2,354
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

Negative differences related to the derivative financial liabilities held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	3,209	458	27,806	362
Swap Transactions	50,567	190,324	83,783	86,762
Futures	-	-	-	-
Options	457	5,237	15	2,050
Total	54,233	196,019	111,604	89,174

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	139,471	91,169	122,174	160,072
Foreign Banks, Institutions and Funds	748,467	13,947,941	-	11,122,566
Total	887,938	14,039,110	122,174	11,282,638

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term ^(*)	867,372	7,312,287	82,786	6,746,799
Medium and Long term ^(*)	20,566	6,726,823	39,388	4,535,839
Total	887,938	14,039,110	122,174	11,282,638

^(*) Maturity profile of funds borrowed is prepared in accordance to their original maturities.

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Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.41% (31 December 2013: 9.28%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

On 12 April 2013, the Bank has obtained syndicated loan at the amount of US Dollar 251,5 million and Euro 555,17 million in total US Dollar 980 million with the interest rate of Libor/Euribor +1.00% at a maturity of one year with the participation of 38 banks. On 16 April 2014, the loan has been renewed with a new syndicated loan amounting to US Dollar 270,5 million and Euro 525 million with the interest rate of US Libor +0.90% and Euribor +0.90% at a maturity of one year, with participation of 35 banks with the coordination of Wells Fargo Bank, N.A., London Branch and Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent.

On 20 September 2013, the Bank has obtained syndicated loan at the amount of US Dollar 166 million and Euro 471 million with the interest rate of US Libor + 0.75% and Euribor + 0.75% at a maturity of one year, with the participation of 27 banks with the coordination and agency of ING Bank N.V. London. On 22 September 2014, the loan has been renewed with a new syndicated loan amounting to US Dollar 168,5 million and Euro 528,75 million with interest rates of US Libor + 0.90% and Euribor + 0.9% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank.

On 19 December 2014, the Bank has obtained securitization loan at the amount of US Dollar 928,6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan at the amount of US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428,6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development Bank (EBRD) at the amount of US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs.

2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-D segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

As at 31 December 2014, total securitization loan amounts to US Dollar 1.397 million.

Information on securities issued

With in the context of Global Medium Term Notes (GMTN), The Bank has issued Turkey's first Eurobond apart from Undersecretariat of Treasury. The bond has been issued in the context of GMTN on 17 June 2014 has a nominal value of Euro 500 million, maturity date on 17 June 2019 with fix rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

With in the context of Global Medium Term Notes (GMTN), 106 private placement transaction in total with 12 different banks has been realized since 2013 June. These transactions have been realized in different currencies (US Dollar, Euro and CHF) at the maturities 3 months, 6 months, 1 year and 2 years. As at 31 December 2014, US Dollar 2,684 million of private placement has been realized. In the same period, total private placement has been US Dollar 1,026 million. The major part of these transactions has been carried out with Asian investors.

	Current period		Prior period	
	TL	FC	TL	FC
Nominal	2,978,797	7,500,392	2,412,839	4,514,167
Cost	2,860,066	7,462,478	2,309,056	4,487,936
Net Book Value	2,913,190	7,544,567	2,355,180	4,529,646

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Current Period

ISIN Code	Security Type	Coupon Rate	Currency		Issue Date	Maturity Date	Days to Maturity	Nominal	Cost	Net Book Value
			Type							
TRQVKB31521	Discounted	-	TL		21.11.2014	13.03.2015	112	399,320	388,974	392,726
TRQVKB31539	Discounted	-	TL		12.12.2014	13.03.2015	91	196,129	192,033	192,925
TRQVKB81526	Discounted	-	TL		24.10.2014	07.08.2015	287	94,559	87,930	89,476
TRQVKB81534	Discounted	-	TL		21.11.2014	07.08.2015	259	27,404	25,798	26,044
TRQVKB51529	Discounted	-	TL		21.11.2014	15.05.2015	175	240,965	231,321	233,540
TRQVKB81542	Discounted	-	TL		12.12.2014	07.08.2015	238	14,561	13,782	13,846
TRQVKB41520	Discounted	-	TL		24.10.2014	17.04.2015	175	736,745	705,583	717,613
TRQVKB51537	Discounted	-	TL		12.12.2014	15.05.2015	154	165,233	159,456	160,193
TRQVKB41512	Discounted	-	TL		02.05.2014	17.04.2015	350	12,028	11,042	11,700
TRQVKB51511	Discounted	-	TL		06.06.2014	29.05.2015	357	36,117	33,210	34,837
TRQVKB21514	Discounted	-	TL		22.08.2014	13.02.2015	175	674,639	648,005	667,542
TRQVKB81518	Discounted	-	TL		22.08.2014	07.08.2015	350	43,546	39,822	41,166
TRQVKB31513	Discounted	-	TL		19.09.2014	13.03.2015	175	337,551	323,110	331,582
US90015NAA19	Fixed	5.75	USD		24.04.2012	24.04.2017	1,826	1,160,000	1,147,240	1,166,728
XS0916347759	Fixed	3.75	USD		15.04.2013	15.04.2018	1,826	1,392,000	1,384,093	1,397,984
XS0987355939	Fixed	5.00	USD		31.10.2013	31.10.2018	1,826	1,160,000	1,152,460	1,164,098
XS1069999610	Fixed	1.75	USD		21.05.2014	20.05.2015	364	11,600	11,600	11,725
XS1084474862	Fixed	0.73	USD		03.07.2014	07.01.2015	188	18,328	18,328	18,394
XS1085714621	Fixed	1.43	USD		09.07.2014	07.01.2015	182	92,800	92,800	93,443
XS1087783269	Fixed	1.45	USD		14.07.2014	08.01.2015	178	42,688	42,688	42,979
XS1087831506	Fixed	1.45	USD		15.07.2014	15.01.2015	184	97,440	97,440	98,100
XS1089992686	Fixed	1.40	USD		22.07.2014	15.01.2015	177	48,720	48,720	49,025
XS1090076768	Fixed	1.40	USD		22.07.2014	22.01.2015	184	58,000	58,000	58,364
XS1091762812	Fixed	1.40	USD		25.07.2014	22.01.2015	181	48,256	48,256	48,553
XS1091766482	Fixed	1.40	USD		01.08.2014	26.01.2015	178	71,920	71,920	72,343
XS1096098030	Fixed	1.40	USD		08.08.2014	05.02.2015	181	76,328	76,324	76,756
XS1096471526	Fixed	1.40	USD		08.08.2014	29.01.2015	174	35,264	35,264	35,462
XS1097465766	Fixed	1.40	USD		13.08.2014	18.02.2015	189	27,840	27,840	27,991
XS1101735634	Fixed	1.40	USD		20.08.2014	19.02.2015	183	40,600	40,600	40,809
XS1101839170	Fixed	1.40	USD		21.08.2014	17.02.2015	180	69,600	69,600	69,956
XS1105745761	Fixed	0.70	USD		02.09.2014	05.03.2015	184	64,960	64,960	65,111
XS1107482306	Fixed	1.38	USD		09.09.2014	12.03.2015	184	84,680	84,671	85,043
XS1110657050	Fixed	1.40	USD		16.09.2014	19.03.2015	184	116,000	116,000	116,477
XS1112873176	Fixed	1.40	USD		23.09.2014	26.03.2015	184	85,840	85,840	86,170
XS1113320888	Fixed	1.74	USD		24.09.2014	23.09.2015	364	14,384	14,382	14,450
XS1115283571	Fixed	1.73	USD		30.09.2014	07.10.2015	372	9,280	9,278	9,319
XS1115485010	Fixed	1.40	USD		29.09.2014	27.03.2015	179	34,800	34,800	34,926
XS1117991213	Fixed	1.10	USD		08.10.2014	08.01.2015	92	73,776	73,776	73,966
XS1118030300	Fixed	1.80	USD		09.10.2014	08.10.2015	364	27,840	27,840	27,955
XS1118051215	Fixed	1.35	USD		08.10.2014	02.04.2015	176	73,312	73,312	73,543
XS1118053005	Fixed	1.35	USD		08.10.2014	17.04.2015	191	11,600	11,600	11,637
XS1121229741	Fixed	1.78	USD		15.10.2014	26.10.2015	376	9,280	9,278	9,314
XS1121307059	Fixed	1.10	USD		15.10.2014	15.01.2015	92	73,312	73,312	73,485
XS1121307307	Fixed	1.35	USD		15.10.2014	16.04.2015	183	55,680	55,680	55,841
XS1123043983	Fixed	1.02	USD		20.10.2014	20.01.2015	92	23,200	23,195	23,246
XS1124128320	Fixed	1.35	USD		17.10.2014	16.04.2015	181	62,640	62,640	62,817
XS1124141349	Fixed	1.10	USD		17.10.2014	22.01.2015	97	30,160	30,160	30,229
XS1124325074	Fixed	1.35	USD		20.10.2014	20.04.2015	182	58,000	58,000	58,157
XS1126276697	Fixed	1.80	USD		23.10.2014	23.10.2015	365	116,000	116,000	116,402
XS1129857782	Fixed	1.35	USD		24.10.2014	28.04.2015	186	56,144	56,144	56,288
XS1130031039	Fixed	1.33	USD		28.10.2014	27.04.2015	181	81,200	81,192	81,388
XS1130490227	Fixed	1.79	USD		30.10.2014	04.11.2015	370	10,440	10,438	10,471
XS1132341485	Fixed	1.25	USD		03.11.2014	30.04.2015	178	30,160	30,160	30,221
XS1132341568	Fixed	1.80	USD		04.11.2014	05.11.2015	366	12,064	12,064	12,099
XS1132440386	Fixed	1.27	USD		05.11.2014	07.05.2015	183	32,480	32,480	32,545
XS1135135272	Fixed	1.80	USD		05.11.2014	05.11.2015	365	116,000	116,000	116,326
XS1138701500	Fixed	1.30	USD		18.11.2014	27.05.2015	190	18,560	18,558	18,588
XS1139114257	Fixed	1.24	USD		18.11.2014	18.05.2015	181	92,800	92,791	92,932
XS1143013297	Fixed	1.28	USD		24.11.2014	28.05.2015	185	52,432	52,432	52,502
XS1143372008	Fixed	1.25	USD		25.11.2014	27.05.2015	183	81,200	81,196	81,300
		3 Month-								
XS1063444001	Floating	Euribor+2.15%	EUR		06.05.2014	06.05.2016	731	29,634	29,486	29,650
XS1077629225	Fixed	3.50	EUR		17.06.2014	17.06.2019	1,826	1,411,150	1,401,640	1,429,459
Total								10,479,189	10,322,544	10,457,757

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TRQVKFB51438	Discounted	-	TL	08.11.2013	02.05.2014	175	626,276	602,694	609,857
TRQVKFB61411	Discounted	-	TL	20.12.2013	06.06.2014	168	648,497	623,153	624,930
TRQVKFB21415	Discounted	-	TL	06.09.2013	28.02.2014	175	655,558	627,236	645,975
TRQVKFB21423	Discounted	-	TL	06.09.2013	28.02.2014	175	187,216	179,130	184,485
TRQVKFB11416	Discounted	-	TL	18.01.2013	17.01.2014	364	145,464	136,844	144,999
TRQVKFB51412	Discounted	-	TL	17.05.2013	16.05.2014	364	63,635	60,211	62,280
TRQVKFB51420	Discounted	-	TL	05.07.2013	16.05.2014	315	53,415	49,922	51,859
TRQVKFB81419	Discounted	-	TL	06.09.2013	22.08.2014	350	32,778	29,866	30,795
XS0916347759	Fixed	3.75	USD	15.04.2013	15.04.2018	1,826	1,284,000	1,276,706	1,288,123
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1,826	1,070,000	1,058,230	1,073,882
XS0957643801	Fixed	1.9	USD	06.08.2013	06.02.2014	184	154,508	154,462	155,705
XS0960939857	Fixed	1.97	USD	15.08.2013	13.02.2014	182	118,984	118,966	119,884
XS0963672950	Fixed	1.95	USD	20.08.2013	13.02.2014	177	117,700	117,688	118,550
XS0977254621	Fixed	1.66	USD	02.10.2013	09.01.2014	99	43,442	43,437	43,624
XS0976659234	Fixed	1.73	USD	03.10.2013	03.04.2014	182	64,200	64,161	64,458
XS0979045886	Fixed	1.67	USD	07.10.2013	06.01.2014	91	51,360	51,356	51,565
XS0982276528	Fixed	1.67	USD	11.10.2013	16.01.2014	97	64,200	64,192	64,443
XS0986042439	Fixed	1.62	USD	28.10.2013	21.01.2014	85	63,344	63,340	63,528
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1,826	1,070,000	1,063,045	1,072,420
XS0993260933	Fixed	1.25	USD	12.11.2013	10.02.2014	90	47,080	47,080	47,162
XS0973201444	Fixed	1.83	USD	20.09.2013	24.03.2014	185	41,516	41,512	41,731
XS0997543896	Fixed	1.49	USD	22.11.2013	28.05.2014	187	23,540	23,534	23,574
XS0974147695	Fixed	1.66	USD	23.09.2013	06.01.2014	105	38,306	38,302	38,482
XS1000211968	Fixed	1.3	USD	04.12.2013	06.03.2014	92	118,984	118,984	119,104
XS1008673540	Fixed	1.59	USD	24.12.2013	23.06.2014	181	85,600	85,596	85,626
XS0943035328	Floating	1.53	EUR	14.06.2013	16.06.2014	367	29,489	29,445	29,720
XS0942820803	Fixed	1	CHF	12.06.2013	13.06.2014	366	27,914	27,900	28,065
Total							6,927,006	6,796,992	6,884,826

4. Components of "other external resources payable" in the financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments

Other external resources payable in the financials does not exceed 10% of total liabilities and equity.

5. Information on lease payables (net)

Obligations under finance leases

None.

6. Information on derivative financial liabilities held for risk management purpose

Negative fair values of hedging purpose derivatives

None.

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7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	1,326,468	1,004,336
-Additional provision for loans with extended payment plans	26,989	13,327
Provisions for loans and receivables in Group II	175,204	105,037
-Additional provision for loans with extended payment plans	14,696	3,297
Provisions for non-cash loans	93,418	76,647
Others	8,152	4,719
Total	1,603,242	1,190,739

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	12,048	90

The Bank has recorded provision amounting to TL 12,048 (31 December 2013: TL 90) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified or converted into cash

As of 31 December 2014, Bank has recorded TL 63,030 (31 December 2013: TL 54,771) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	105,005	65,960
Specific provisions for non-cash loans	63,030	54,771
Provision for cheques	37,207	26,363
Provisions for lawsuits against the Bank	14,673	14,673
Provisions for credit card promotions	10,177	9,469
Provision for loans under follow-up	-	70,915
Provision for World Vakif UBB Ltd with regard to its negative equity	-	38,047
Other provisions	722	-
Total	230,814	280,198

8. Taxation

Current taxes

Tax provision

As at and for the year ended 31 December 2014, the tax provision was amounted to TL 600,797 (31 December 2013: TL 254,525). As at 31 December 2014, corporate tax liabilities of the Bank was amounted to TL 248,173 (31 December 2013: TL 59,926), after deducting prepaid taxes paid during temporary tax periods amounted to TL 352,624 (31 December 2013: TL 194,599).

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Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	248,173	59,926
Taxation on securities	123,184	89,264
Capital gains tax on property	2,146	1,891
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	58,972	44,809
Value added tax payable	3,139	2,198
Others	19,879	18,151
Total	455,493	216,239

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	608	579
Unemployment insurance- employer share	1,216	1,157
Other	-	-
Total	1,824	1,736

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

10. Information on subordinated loans

The Bank has issued bond having the secondary subordinated loan quality to be sold non-resident natural and legal persons. The bond has been issued at the nominal value of USD 500 million and in addition to the issuance of this bond, on 3 December 2012 the Bank has realized second tranche at nominal value of USD 400 million, has the maturity of 10 years and 6.0% coupon rate, USD 900 million nominal value in total.

The Bank has obtained written permission of the BRSA for accounting these bonds as secondary subordinated debt and accordingly considering in the calculation of supplementary capital in compliance with the "Regulation on Capitals of the Banks" published on 1 November 2006 dated and 26333 numbered Official Gazette.

11. Information on equity

Paid-in capital	Current Period	Prior Period
Common Stock	2,500,000	2,500,000
Preferred Stock	-	-

Paid-in capital of the Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6% Group (B), 16.2% Group (C) and 25.2% Group (D).

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Board of Directors' members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	5,000,000

The registered capital ceiling was increased from TL 1,300,000 to TL 5,000,000 as per the resolution no. 74202 dated 16 February 2006 by the Board of Directors.

Information on share capital increases and their sources; other information on any increase in capital shares during the current period

There is no share capital increase in the current and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

Prior period indicators of the Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	611,250	118,404	753,211	79,346
Fair value differences of available-for-sale securities	172,430	256,490	(324,958)	124,294
Foreign exchange differences	58,395	-	49,433	-
Total	842,075	374,894	477,686	203,640

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III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ITEMS

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Period	Prior period
Commitments for credit card limits	7,641,987	6,261,117
Loan granting commitments	8,053,342	6,730,503
Commitments for cheque payments	1,638,976	1,320,438
Asset purchase sale commitments	2,686,862	4,175,776
Other	272,131	261,822
Total	20,293,298	18,749,656

Type and amount of possible losses from off-balance sheet items including those referred to below

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Bank provided specific provision amounting to TL 63,030 (31 December 2013: TL 54,771) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 129,638 (31 December 2013: TL 114,834).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	7,737,748	6,262,616
Letters of guarantee for advances	2,603,790	2,617,441
Provisional letters of guarantee	1,107,255	780,782
Letters of guarantee given to custom offices	913,389	650,221
Other letters of guarantee	9,090,289	7,584,524
Total	21,452,471	17,895,584

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,905,607	1,424,617
With original maturity of 1 year or less	1,846,045	915,858
With original maturity of more than 1 year	1,059,562	508,759
Other non-cash loans	25,728,316	21,916,762
Total	28,633,923	23,341,379

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3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	86,506	0.52	266,929	2.27	82,111	0.58	102,147	1.13
Farming and Cattle	77,673	0.46	257,069	2.19	73,609	0.52	88,829	0.98
Forestry	7,898	0.05	7,540	0.06	6,919	0.05	11,003	0.12
Fishing	935	0.01	2,320	0.02	1,583	0.01	2,315	0.03
Manufacturing	7,150,408	42.40	5,753,926	48.88	6,294,048	44.05	4,055,439	44.79
Mining	168,108	1.00	29,069	0.25	157,070	1.10	65,192	0.72
Production	4,563,948	27.06	5,319,615	45.19	3,598,968	25.19	3,836,908	42.38
Electric, gas and water	2,418,352	14.34	405,242	3.44	2,538,010	17.76	153,339	1.69
Construction	2,996,610	17.77	2,520,479	21.41	2,676,835	18.73	2,194,165	24.24
Services	6,226,616	36.92	2,756,081	23.42	4,954,666	34.68	2,661,023	29.39
Wholesale and retail trade	2,580,882	15.30	1,597,411	13.57	1,995,623	13.97	1,149,683	12.70
Hotel, food and beverage Services	125,417	0.74	5,691	0.05	100,888	0.71	19,908	0.22
Transportation and telecommunication	963,436	5.71	1,058,514	8.99	833,163	5.83	1,405,343	15.52
Financial institutions	1,515,987	8.99	7,094	0.06	1,344,214	9.41	33,321	0.37
Real estate and renting Services	254,056	1.51	24,192	0.21	185,000	1.29	14,871	0.16
Self-employment services	591,814	3.51	44,562	0.38	373,920	2.62	24,229	0.27
Education services	24,595	0.15	3,903	0.03	15,556	0.11	1,644	0.02
Health and social services	170,429	1.01	14,714	0.13	106,302	0.74	12,024	0.13
Others	403,045	2.39	473,323	4.02	280,382	1.96	40,563	0.45
Total	16,863,185	100.00	11,770,738	100.00	14,288,042	100.00	9,053,337	100.00

4. Information on the first and second group of non-cash loans

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	16,653,687	4,549,302	113,427	8,262
Confirmed Bills of Exchange and Acceptances	20,836	1,943,257	-	-
Letters of Credit	-	5,212,911	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	2,603	-	-
Non-Cash Loans	16,674,523	11,708,073	113,427	8,262
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	14,118,035	3,573,362	85,579	5,476
Confirmed Bills of Exchange and Acceptances	12,129	1,039,635	-	514
Letters of Credit	7,866	4,381,798	-	232
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	1,919	-	-
Non-Cash Loans	14,138,030	8,996,714	85,579	6,222

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5. Information on derivative transactions

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	21,948,443	18,209,192
Currency Forwards	555,204	1,334,135
Currency Swaps	20,336,691	16,534,197
Currency Futures	-	-
Currency Options	1,056,548	340,860
Interest Rate Derivative Transactions (II)	7,478,238	4,145,148
Interest Rate Forwards	-	-
Interest Rate Swaps	7,478,238	4,145,148
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	6,780,167	3,963,577
A. Total Trading Derivatives (I+II+III)	36,206,848	26,317,917
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	36,206,848	26,317,917

	31 December 2014					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	8,688,057	2,181,378	176,107	296,894	-	11,342,436
Sale	3,998,297	2,172,677	176,023	296,614	-	6,643,611
Currency forwards:						
Purchase	99,142	68,619	71,286	38,774	-	277,821
Sale	99,070	68,502	71,136	38,675	-	277,383
Cross currency interest rate swaps:						
Purchase	63,456	58,000	-	1,172,493	-	1,293,949
Sale	46,667	37,825	-	972,203	-	1,056,695
Interest rate swaps:						
Purchase	-	-	-	1,202,149	2,536,970	3,739,119
Sale	-	-	-	1,202,149	2,536,970	3,739,119
Options:						
Purchase	242,712	90,791	194,771	-	-	528,274
Sale	242,710	90,790	194,774	-	-	528,274
Other trading derivatives:						
Purchase	158,020	-	-	-	994,287	1,152,307
Sale	4,931,860	-	-	-	696,000	5,627,860
Total purchases	9,251,387	2,398,788	442,164	2,710,310	3,531,257	18,333,906
Total sales	9,318,604	2,369,794	441,933	2,509,641	3,232,970	17,872,942
Total	18,569,991	4,768,582	884,097	5,219,951	6,764,227	36,206,848

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	31 December 2013					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	6,237,606	2,221,184	536,697	-	-	8,995,487
Sale	3,505,768	979,438	535,505	-	-	5,020,711
Currency forwards:						
Purchase	224,713	147,847	294,718	-	-	667,278
Sale	224,586	147,772	294,499	-	-	666,857
Cross currency interest rate swaps:						
Purchase	-	353,100	107,000	936,756	-	1,396,856
Sale	-	250,998	77,250	792,895	-	1,121,143
Interest rate swaps:						
Purchase	-	-	-	1,044,578	1,027,996	2,072,574
Sale	-	-	-	1,044,578	1,027,996	2,072,574
Options:						
Purchase	32,224	14,002	124,204	-	-	170,430
Sale	32,224	14,002	124,204	-	-	170,430
Other trading derivatives:						
Purchase	1,000	-	-	-	-	1,000
Sale	2,724,841	1,237,736	-	-	-	3,962,577
Total purchases	6,495,543	2,736,133	1,062,619	1,981,334	1,027,996	13,303,625
Total sales	6,487,419	2,629,946	1,031,458	1,837,473	1,027,996	13,014,292
Total	12,982,962	5,366,079	2,094,077	3,818,807	2,055,992	26,317,917

6. Contingent assets and liabilities

Bank allocates TL 14,673 as provision for lawsuits against Bank (31 December 2013: TL 14,673).

7. Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

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IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term Loans	2,770,463	143,765	2,020,502	148,584
Medium and Long-Term Loans	5,275,775	959,257	4,473,542	769,916
Loans Under Follow-Up	177,155	-	151,397	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	8,223,393	1,103,022	6,645,441	918,500

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	2,016	1,197	3,220	894
Foreign Banks	-	3,793	78	2,812
Foreign Head Office and Branches	-	-	-	-
Total	2,016	4,990	3,298	3,706

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	-	-	-
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,274,527	200,485	995,976	191,793
Investments held to maturity	559,880	381	402,262	617
Total	1,834,407	200,866	1,398,238	192,410

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	5,315	3,987

2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	20,495	127,991	6,547	117,720
Central Bank of Turkey	-	-	-	-
Domestic Banks	7,587	2,740	6,547	3,269
Foreign Banks	12,908	125,251	-	114,451
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	18,990	-	10,266
Total	20,495	146,981	6,547	127,986

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Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	60,649	32,881

Interest expense on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	218,502	232,230	149,608	110,395

Maturity structure of the interest expense on deposits

Account Name	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Interbank deposits	-	144,829	-	-	-	-	-	144,829
Saving deposits	1,486	23,258	1,597,668	133,101	26,634	12,984	-	1,795,131
Public sector deposits	5,891	174,376	427,267	64,521	137,018	15,261	-	824,334
Commercial deposits	368	268,842	1,043,122	88,622	15,599	3,915	-	1,420,468
Other deposits	1	45,643	278,655	43,453	33,667	1,661	-	403,080
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	7,746	656,948	3,346,712	329,697	212,918	33,821	-	4,587,842
FC								
Foreign Currency Deposits	25,085	21,485	246,591	41,418	26,580	78,897	-	440,056
Interbank deposits	-	16,735	-	-	-	-	-	16,735
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	25,085	38,220	246,591	41,418	26,580	78,897	-	456,791
Total	32,831	695,168	3,593,303	371,115	239,498	112,718	-	5,044,633

Prior Period	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Interbank deposits	-	60,848	-	-	-	-	-	60,848
Saving deposits	16	14,008	1,068,716	143,107	33,770	10,949	-	1,270,566
Public sector deposits	336	99,774	419,263	51,417	23,920	1,892	-	596,602
Commercial deposits	63	140,738	544,528	127,197	48,747	4,846	-	866,119
Other deposits	3	31,115	162,324	58,773	54,161	1,206	-	307,582
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	418	346,483	2,194,831	380,494	160,598	18,893	-	3,101,717
FC								
Foreign Currency Deposits	94	16,343	228,408	49,240	27,918	70,981	-	392,984
Interbank deposits	-	27,950	-	-	-	-	-	27,950
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	94	44,293	228,408	49,240	27,918	70,981	-	420,934
Total	512	390,776	2,423,239	429,734	188,516	89,874	-	3,522,651

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3. Dividend Income

	Current Period	Prior Period
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	1,811	134
Others	64,477	53,867
Total	66,288	54,001

4. Information on trading income/losses

	Current Period	Prior Period
Income	3,833,913	5,557,829
Income from capital market transactions	222,753	180,350
Income from derivative financial instruments	1,387,775	995,528
Foreign exchange gains	2,223,385	4,381,951
Losses	(3,610,794)	(5,326,172)
Losses from capital market transactions	(47,993)	(7,727)
Losses from derivative financial instruments	(1,439,022)	(909,086)
Foreign exchange losses	(2,123,779)	(4,409,359)
Trading income/losses, net	223,119	231,657

Net loss arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 20,237 as at and for the year ended 31 December 2014 (31 December 2013: TL 50,138 net gain).

5. Information on other operating income

	Current Period	Prior Period
Income from reversal of specific provisions for loans	705,404	455,693
Communication income	85,302	85,215
Gain on sale of assets	381,987	53,540
Rent income	1,270	956
Other income	171,571	112,916
Total	1,345,534	708,320

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6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	1,145,465	1,260,000
<i>Loans and receivables in Group III</i>	135,732	256,705
<i>Loans and receivables in Group IV</i>	774,152	963,028
<i>Loans and receivables in Group V</i>	235,581	40,267
Non-performing commissions and other receivables	-	-
General provision expenses	413,501	234,417
Provision for possible losses	-	8,871
Impairment losses on securities:	10,402	88,459
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	10,402	88,459
Other impairment losses:	25,278	53,581
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	25,278	53,581
Others ^(*)	77,221	83,943
Total	1,671,867	1,729,271

(*) Other provision expenses amounting to TL 77,221 (31 December 2013: TL 83,943) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 38,176 (31 December 2013: TL 49,501) and free provision expenses related to loans and receivables amounting to TL 39,045 (31 December 2013: free provision expenses: TL 30,750 and other provision expenses: TL 3,692).

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	1,232,995	1,111,975
Reserve for Employee Termination Benefits	13,266	17,644
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	111,904	102,658
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	13,096	10,886
Impairment Losses on Assets to be Disposed	2,115	4,000
Depreciation Expenses on Assets to be Disposed	12,743	10,773
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,201,522	1,064,835
<i>Operational lease expenses</i>	184,266	158,880
<i>Repair and maintenance expenses</i>	29,989	23,016
<i>Advertisement expenses</i>	70,079	88,009
<i>Other expenses</i>	917,188	794,930
Loss on sale of assets	4,947	1,057
Others	517,622	434,093
Total	3,110,210	2,757,921

(*) Other operating expenses amounting to TL 517,622 (31 December 2013: TL 434,093) is comprised of provision expenses for dividends to the personnel amounting to TL 129,797 (31 December 2013: TL 118,800), tax, fees and funds expenses amounting to TL 105,366 (31 December 2013: TL 87,311), "Saving Deposits Insurance Fund" expenses amounting to TL 93,190 (31 December 2013: TL 91,780) and other operating expenses amounting to TL 189,269 (31 December 2013: TL 136,202).

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8. Information on income/loss from discontinued and continuing operations

The Bank has no discontinued operations. Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-7 in this section.

9. Information on tax provision from discontinued and continuing operations

The Bank has no discontinued operations. Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section.

10. Information on net profit/loss from discontinued and continuing operations

The Bank has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-13 in this section.

11. Provision for taxes on income

Current period taxation benefit or charge and deferred tax benefit or charge

In the current period, the Bank has recorded a tax charge of TL 601,519 (31 December 2013: TL 341,481) from the net taxable profit calculated in accordance the laws and regulations in effect. Deferred tax benefit of the Bank is detailed in the below table.

Deferred tax charge arising from temporary differences, tax losses and unused tax credits

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination / (Reversal) of Deductible Temporary Differences	70,051	(37,040)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	71,065	(18,854)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from tax rate change	-	-
Total	141,116	(55,894)

12. Information on net profit and loss

Any further explanation on operating results needed for a proper understanding of the Bank's performance

The Bank has earned TL 11,373,587 interest income, TL 709,334 net fees and commissions income and incurred TL 6,722,109 interest expenses, from ordinary banking transactions (31 December 2013: TL 9,220,570 interest income, TL 686,511 net fees and commissions income TL 4,430,953 interest expenses).

Any changes in estimations that might have a material effect on current and subsequent period results

None.

13. Information related to the components of other items in the statement of income exceeding 10% of the group total, or 20% of the sub-accounts belonging to this group

Banks' other commissions income mainly consists of credit card fee and commissions, transfer commissions and intelligence commissions.

Banks' other commissions expense mainly consists of credit card fee and commissions and commissions given for foreign banks credits.

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V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

1. Information on increases of revaluation of available-for-sale investments

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(200,664)	738,974
Fair value changes in the current year	576,843	(772,630)
Effect of deferred and corporate taxes	(115,369)	85,605
Valuation differences transferred to the statement of income	210,138	(246,196)
Effect of deferred and corporate taxes	(42,028)	(6,417)
Valuation differences at the end of the year	428,920	(200,664)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	881,990	710,999
Fair value changes in the current year	(99,710)	179,963
Effect of deferred and corporate taxes	5,769	(8,972)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	788,049	881,990

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

None.

4. Information on differences in shareholders’ equity accounts due to inflation accounting

In compliance with BRSA’s Circular on 28 April 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at 31 December 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other capital reserves” account. In 2006, the Bank has increased its paid in capital through “other capital reserves” by TL 605,763.

5. Information on profit distribution

As per the resolution of 60th Annual General Assembly held on 28 March 2014, the net profit of the year 2013 which amounts to TL 1,585,539 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 158,556, extraordinary reserves amounting to TL 1,325,482, special funds amounting to TL 1,501 and dividends to equity holders of the Bank amounting to TL 100,000.

6. Information on decreases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with decrease in the current year. Detailed information about the decreases is explained above in Note 1.

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VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

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

"Other" balance under the "operating profit before changes in operating assets and liabilities" amounting to TL (1,689,362) (31 December 2013: TL (210,587)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL 1,842,777 (31 December 2013: TL 6,889,370) under "changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL (45,874) (31 December 2013: TL 38,022) is comprised of purchases of intangible assets.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 6,249 (31 December 2013: TL (8,205)) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures

In the current period, Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Comminique on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, Bank's total nominal share has increased to TL 4,579 and share proportion has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share proportion of the Bank is remained the same (51.001%). TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014. Total cash commitment TL 33,151 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share proportion has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 is paid from bonus shares and TL 60,000 is paid in cash amounting to TL 180,000 in total. The share of the Bank amounting to TL 3,230 is presented as bonus shares received in the movement table of investments in associates. The stock right in cash capital commitment has been removed related to the capital increase, Bank's share has been decreased from 4.86% to %4.37.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,300 to TL 1,500 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

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3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Current Period 31 December 2013	Prior Period 31 December 2012
Cash on hand	1,149,351	979,167
Cash in TL	860,452	792,976
Cash in foreign currency	288,899	186,191
Cash equivalents	4,528,633	4,020,705
CBT	17,793,235	11,323,157
Banks	2,639,137	1,954,906
Receivables from money markets	-	-
Other	25,495	25,301
Loans and advances to banks having maturity of more than 3 months	(8,000)	-
Restricted cash and cash equivalents	(15,921,172)	(9,282,127)
Unrealised foreign exchange rate differences on cash equivalents	(62)	(532)
Total	5,677,984	4,999,872

Information on cash and cash equivalents at the end of the year

	Current Period 31 December 2014	Prior Period 31 December 2013
Cash on hand	1,370,759	1,149,351
Cash in TL	1,008,203	860,452
Cash in foreign currency	362,556	288,899
Cash equivalents	6,811,710	4,528,633
CBT - Unrestricted demand deposit	20,440,692	17,793,235
Banks	2,570,620	2,639,137
Receivables from money markets	-	-
Other	73,528	25,495
Loans and advances to banks having maturity of more than 3 months	(6,000)	(8,000)
Restricted cash and cash equivalents	(16,266,642)	(15,921,172)
Unrealized foreign exchange rate differences on cash equivalents	(488)	(62)
Total	8,182,469	5,677,984

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBT amounting to TL 16,156,474 as at 31 December 2014 (31 December 2013: TL 15,826,492) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 110,168 (31 December 2013: TL 94,680) is blocked due to securitization loans and other ordinary banking operations of the Bank.

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VII. INFORMATION AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

Current Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	68,800	692,352	-	27,065	26,101	24,502
Balance at the end of the period	74,105	721,258	-	10,174	6,238	13,087
Interest and commission income	5,315	1,217	-	21	774	68

Prior Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	111,074	579,546	-	37,919	9,372	16,538
Balance at the end of the period	68,800	692,352	-	27,065	26,101	24,502
Interest and commission income	3,987	1,053	-	24	679	43

Information on deposits held by the Bank's risk group

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	1,014,201	1,033,752	968,601	443,105	46,810	84,276
Balance at the end of the period	898,566	1,014,201	713,966	968,601	115,831	46,810
Interest on deposits	60,649	32,881	60,168	39,882	2,340	691

Information on forwards, options and other derivative transactions held by the Bank's risk group

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions held for trading purpose:						
Purchase balance at the beginning of the period	43,792	-	-	-	-	-
Sales balance at the beginning of the period	42,800	-	-	-	-	-
Purchase balance at the end of the period	-	43,792	-	-	-	-
Sales balance at the end of the period	-	42,800	-	-	-	-
Total Profit/ (Loss)	-	5	-	-	-	-

2. Disclosures of transactions with the Bank's risk group

Relations with entities in the risk group of/ or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

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In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

Pricing policy and other conditions of transactions with the risk group of the Bank, are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.08 % (31 December 2013: 0.11%) and 2.60 % (31 December 2013: 3.19%), respectively.

Current Period	Amount	Compared to financial statement amount (%)
Cash loans	80,343	0.08
Non-cash loans	744,519	2.60
Deposits	1,728,363	1.88
Forward and option agreements	-	-

Prior Period	Amount	Compared to financial statement amount (%)
Cash loans	94,901	0.11
Non-cash loans	743,919	3.19
Deposits	2,029,612	2.49
Forward and option agreements	86,592	0.33

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees		Total Assets	Capital
Domestic Branches ⁽¹⁾	890	14,879			
			Country		
Foreign Representative Offices	-	-			
Foreign Branches	1	22	USA	3,230,484	38,280
	1	16	Iraq	146,908	16,240
Off-shore Branches	1	3	Bahrain	15,475,104	-

⁽¹⁾ Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2014, 34 new domestic branches (2013: 115 domestic branches) have been opened and no branches haven't been closed (2013: none).

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK'S ACTIVITY

None.

II. INFORMATION ON THE BANK'S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS

December 2014 ^(*)	Moody's Investors' Service
Financial Strength Rating	D+ (ba1)
Local Currency Deposit Rating	Baa3 / P-3
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Baa3 / P-3
Foreign Currency Outlook	Negative
June 2014 ^(*)	Standard & Poors
Foreign Currency Credit Rating	BB+ / B
Local Currency Credit Rating	BB+ / B
National	trAA+ / trA-1
Continuance Rating	NR
December 2014 ^(*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB+
Support Rating	2
Outlook	Stable
January 2015 ^(*)	Fitch Ratings
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	2
Base Support Rating	BBB-

^(*) Dates represent the last change dates of credit ratings and outlook.

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III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

The Bank has issued bond having the secondary subordinated loan (Tier-II) on January 2015 amounting to US Dollar 500 million with maturity date 3 February 2025 (10 years 1 day maturity) that has an option to mature on 3 February 2020 with twice interest payment at a coupon rate of 6.875% and issue return rate of 6.95%.

At the resolution of the Board of Directors dated 2 January 2015, it has been decided to submit to the approval of shareholders in the first Ordinary Meeting of the General Assembly to increase registered capital ceiling from TL 5,000,000,000 to TL 10,000,000,000 and to change the related clause 7 of Bank's Articles of Association related to capital. Authorization has been given to General Directorate to make the required applications to the establishments, Capital Markets Board (CMB) being in the first place.

Bank's bond issuance with a nominal value of TL 200 million at maturity date 15 May 2015 (119 days maturity) and public offering has been carried out on 12-13-14 January 2015 using book-building method.

The above issuance has been finalized. The nominal value of the bond has been determined as TL 136,882,419 at maturity date 15 May 2015 (119 days maturity) with compound interest rate 8.4444% and simple interest rate 8.2148%. The ISIN code of the bond has been determined as TRQVKFB51545 with issue price of 97.392.

IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE SUBSEQUENT TO REPORTING DATE

None.

SECTION SEVEN

I. INDEPENDENT AUDITORS' AUDIT REPORT

1. Information on the independent auditors' audit report

The Bank's unconsolidated financial statements and footnotes as at and for the year ended 31 December 2014 have been audited Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). It was noted in their audit report dated 16 February 2015 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

2. Disclosures and footnotes prepared by the independent auditor

None.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS FINANCIAL SUBSIDIARIES**

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2014**

**(Convenience Translation of Publicly Announced Consolidated
Financial Statements and Independent Auditor's Report
Originally Issued in Turkish, See in Note I. of Section Three)**



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

To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We have audited the accompanying consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its consolidated subsidiaries at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditor's Opinion:

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

Other matters:

The consolidated financial statements of the Bank and its subsidiaries as at and for the year ended 31 December 2013 were audited by another auditor whose report dated 28 February 2014 expressed an unqualified opinion.

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

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

2. In accordance with Article 402 paragraph 4 of TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation:

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 27 February 2015

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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Electronic mail address : posta@vakifbank.com.tr

The consolidated financial report as at and for the year ended 31 December 2014 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
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE YEAR
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The subsidiaries and associates included in the consolidated financial report are as follows:

SUBSIDIARIES

Güneş Sigorta AŞ
Vakıf Emeklilik AŞ
Vakıf Finans Factoring Hizmetleri AŞ
Vakıf Finansal Kiralama AŞ
Vakıf Portföy Yönetimi AŞ
Vakıf Yatırım Menkul Değerler AŞ
Vakıfbank International AG
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ

ASSOCIATES

Kıbrıs Vakıflar Bankası Ltd.
Türkiye Sınai Kalkınma Bankası AŞ

The consolidated interim financial statements and related disclosures and footnotes as at and for the year ended 31 December 2014 that were subject to independent audit, are prepared 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 guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira ("TL").

27 February 2015

Ramazan GÜNDÜZ
Chairman of
Board of Directors

Mehmet Emin ÖZCAN
Board member and
Audit Committee Member

Sabahattin BİRDAL
Board member and
Audit Committee Member

Halil AYDOĞAN
General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Murat KOYGUN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this consolidated financial report:

Name-Surname/Title: S. Buğra SÜRÜEL/Manager

Phone no : 0312 591 11 48

Fax no : 0312 591 20 01

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank" or "the Parent Bank") was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called "the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı", on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry ("The General Directorate of the Foundations"). The Bank's statute has not been changed since its establishment.

II. THE PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK'S RISK GROUP

The shareholder having control over the shares of the Parent Bank is the General Directorate of the Foundations.

As at 31 December 2014 and 31 December 2013, The Bank's paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank's shareholders' structure as at 31 December 2014 is stated below:

Shareholders	Number of shares (100 unit)	Nominal Value of the Shares Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Appendant foundations represented by the General Directorate of the Foundations (Group B)	386,224,784	386,225	15.45
Other appendant foundations (Group B)	3,096,742	3,097	0.13
Other registered foundations (Group B)	1,453,085	1,453	0.06
Other real persons and legal entities (Group C)	1,533,786	1,534	0.06
Publicly traded (Group D)	630,080,297	630,080	25.20
Total	2,500,000,000	2,500,000	100.00

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. INFORMATION ON THE PARENT BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR SHAREHOLDINGS IN THE BANK

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
Board of Directors				
Ramazan GÜNDÜZ	Chairman	29 March 2013	University	36 years
Mehmet Emin ÖZCAN	Deputy Chairman	29 March 2013	University	31 years
Halil AYDOĞAN	Member – General Manager	29 March 2013	University	37 years
İsmail ALPTEKİN	Member	6 April 2009	University	16 years
Halim KANATCI	Member	28 April 2009	University	41 years
Dr. Adnan ERTEM	Member	28 October 2010	PHD	26 years
Sabahattin BİRDAL	Member	31 March 2014	University	37 years
Öztürk ORAN	Member	30 April 2014	University	39 years
Şeref AKSAÇ	Member	30 April 2014	University	32 years
Audit Committee				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	31 years
Sabahattin BİRDAL	Member	4 April 2014	University	37 years
Auditors				
Mehmet HALTAŞ	Auditor	19 March 2010	University	37 years
Yunus ARINCI	Auditor	19 March 2010	Master	17 years
Assistant Managers				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant	13 June 2006	PHD	19 years
Hasan ECESÖY	Treasury, International Relations and Investor Relations, Coordination of Foreign Branches	18 June 2010	PHD	21 years
Serdar SATOĞLU	Private Banking, Subsidiaries	2 July 2010	PHD	19 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	18 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	6 April 2011	University	24 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking	23 October 2013	University	19 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations	28 October 2013	University	21 years
Mehmet Emin KARAAĞAÇ	Loans and Risk Follow-up, Legal Affairs	8 November 2013	University	25 years

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT AS AT AND****FOR THE YEAR ENDED 31 DECEMBER 2014**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

As at 7 February 2014, Ali Fuat Taşkesenlioğlu has resigned from his duty as a member of Board of Directors.

At the resolution of the first Board of Directors after Ordinary Meeting of the General Assembly dated 28 March 2014, the distribution of roles has been realized. Ramazan Gündüz has been assigned as Chairman of Board of Directors and Mehmet Emin Özcan has been assigned as Deputy Chairman of Board of Directors.

As at 31 March 2014, Sadık Tiltak has resigned from his duty as Group C independent member of Board of Directors. Sabahattin Birdal has been elected unanimously for the duty of Sadık Tiltak by Board of Directors in accordance with the clause 363 of Turkish Commercial Code and the clause 51 of Bank's Articles of Association.

As per 4 April 2014 dated resolution of the Board of Directors, in accordance with the clause 73 of Bank's Articles of Association, Sabahattin Birdal and Mehmet Emin Özcan has been elected unanimously for Audit Committee.

As per 30 April 2014 dated resolution of Ordinary Meeting of the General Assembly, in accordance with the clause 48 of Bank's Articles of Association, Öztürk Oran has been elected as a member of Board of Directors representing Group A shares. Şeref Aksaç has been elected as a member of Board of Directors representing Group B shares.

As per 4 September 2014 dated resolution of the Board of Directors, Yıldırım Eroğlu has resigned his duty regarding to his retirement status.

As per 5 February 2015 dated resolution of the Board of Directors, Assistant Manager Numan Bek has been assigned to headquarters' order of service.

İsmail Alptekin, Member of the Board, holds non-publicly traded Group C share of the Bank amounting to TL 59. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

IV. INFORMATION ON PEOPLE AND ENTITIES WHO HAVE QUALIFIED SHARE IN THE PARENT BANK

The shareholder holding control over the Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE PARENT BANK

The Parent Bank was established under the authorization of special law numbered 6219, called "The Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı", on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending loans by obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estates,
- Servicing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- To render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by the General Directorate of the Foundations.

The Parent Bank with its consolidated subsidiaries are called as "the Group" in the report.

As at 31 December 2014, the Parent Bank has 890 domestic, 3 foreign, in total 893 branches (31 December 2013: 856 domestic, 3 foreign, in total 859 branches). As at 31 December 2014, the Parent Bank has 14,920 employees (31 December 2013: 14,943 employees).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE 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

As at and for the year ended 31 December 2014, the financial statements of T. Vakıflar Bankası T.A.O., Vakıf International A.G., Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Finans Faktoring Hizmetleri A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the year ended 31 December 2014, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası A.Ş. and Kredi Garanti Fonu A.Ş. have not been consolidated since their total assets and net operating profit/(loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonal A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Vakıf Enerji ve Madencilik A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDERS' EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

The transfer of equities between the Bank and its subsidiaries is not immediate. Distribution of profits within equity as dividends complies with respective regulations. There are not any actual or foreseen juristical obstacles against the Bank and its subsidiaries on repayments of debts in between.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	Audited Current Period 31 December 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,126,368	17,764,713	21,891,081	1,802,876	17,172,306	18,975,182
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	404,672	45,569	450,241	557,634	97,985	655,619
2.1 Financial assets held for trading purpose		404,672	45,569	450,241	557,634	97,985	655,619
2.1.1 Debt securities issued by the governments		106	8,468	8,574	113,279	15,740	129,019
2.1.2 Equity securities		1,565	-	1,565	3,023	-	3,023
2.1.3 Derivative financial assets held for trading purpose	V-I-2	342,475	37,101	379,576	356,150	82,245	438,395
2.1.4 Other securities		60,526	-	60,526	85,182	-	85,182
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	784,978	2,783,530	3,568,508	379,923	2,778,428	3,158,351
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		9,504	-	9,504	5,095	-	5,095
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		3,645	-	3,645	4,095	-	4,095
4.3 Receivables from reverse repurchase agreements		5,859	-	5,859	1,000	-	1,000
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,631,871	4,239,244	16,871,115	12,556,285	4,101,124	16,657,409
5.1 Equity securities		15	-	15	15	13,360	13,375
5.2 Debt securities issued by the governments		12,629,806	4,085,677	16,715,483	12,551,950	3,914,264	16,466,214
5.3 Other securities		2,050	153,567	155,617	4,320	173,500	177,820
VI. LOANS AND RECEIVABLES	V-I-5	76,724,198	29,631,473	106,355,671	65,199,842	23,473,216	88,673,058
6.1 Performing loans and receivables		76,408,786	29,626,228	106,035,014	64,833,644	23,470,402	88,304,046
6.1.1 Loans provided to the same risk group	V-VII-1	6,132	123	6,255	10,828	15,287	26,115
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Others		76,402,654	29,626,105	106,028,759	64,822,816	23,455,115	88,277,931
6.2 Loans under follow-up		4,153,756	28,209	4,181,965	3,713,718	22,747	3,736,465
6.3 Specific provisions (-)		3,838,344	22,964	3,861,308	3,347,520	19,933	3,367,453
VII. FACTORING RECEIVABLES		498,067	12,314	510,381	125,616	6,826	132,442
VIII. HELD-TO-MATURITY INVESTMENTS (Net)	V-I-6	6,761,749	92,844	6,854,593	5,358,742	54,429	5,413,171
8.1 Debt securities issued by the governments		6,761,749	-	6,761,749	5,358,742	11,590	5,370,332
8.2 Other securities		-	92,844	92,844	-	42,839	42,839
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	264,184	3	264,187	224,199	3	224,202
9.1 Associates, consolidated per equity method		214,929	-	214,929	179,121	-	179,121
9.2 Unconsolidated associates		49,255	3	49,258	45,078	3	45,081
9.2.1 Financial associates		36,915	-	36,915	32,745	-	32,745
9.2.2 Non-Financial associates		12,340	3	12,343	12,333	3	12,336
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	258,927	-	258,927	213,899	-	213,899
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		258,927	-	258,927	213,899	-	213,899
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	246,618	843,369	1,089,987	135,691	764,532	900,223
12.1 Finance lease receivables		311,605	962,197	1,273,802	172,335	856,604	1,028,939
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		64,987	118,828	183,815	36,644	92,072	128,716
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	782,871	2,002	784,873	876,246	3,727	879,973
XV. INTANGIBLE ASSETS (Net)	V-I-13	162,074	161	162,235	127,873	196	128,069
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		162,074	161	162,235	127,873	196	128,069
XVI. INVESTMENT PROPERTIES (Net)	V-I-14	192,000	-	192,000	20,829	-	20,829
XVII. TAX ASSETS		175,352	6,938	182,290	158,970	5,557	164,527
17.1 Current tax assets		2,393	6,938	9,331	2,384	4,507	6,891
17.2 Deferred tax assets	V-I-15	172,959	-	172,959	156,586	1,050	157,636
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	747,482	-	747,482	566,913	-	566,913
18.1 Assets held for sale		747,482	-	747,482	566,913	-	566,913
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	2,523,844	834,543	3,358,387	2,060,437	958,183	3,018,620
TOTAL ASSETS		107,294,759	56,256,703	163,551,462	90,371,070	49,416,512	139,787,582

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES AND EQUITY	Notes	Audited Current Period 31 December 2014			Audited Prior Period 31 December 2013		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	65,144,101	28,258,512	93,402,613	58,946,981	24,092,418	83,039,399
1.1 Deposits of the same risk group	V-VII-1	953,746	63,178	1,016,924	1,268,031	167,281	1,435,312
1.2 Other deposits		64,190,355	28,195,334	92,385,689	57,678,950	23,925,137	81,604,087
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	65,776	204,851	270,627	131,338	88,142	219,480
III. FUNDS BORROWED	V-II-3	1,569,623	14,691,032	16,260,655	412,222	11,873,439	12,285,661
IV. INTERBANK MONEY MARKET		10,063,573	6,591,668	16,655,241	8,209,702	6,565,686	14,775,388
4.1 Interbank Money Market takings		200,000	-	200,000	-	-	-
4.2 Istanbul Stock Exchange money market takings		269,939	-	269,939	195,043	-	195,043
4.3 Obligations under repurchase agreements		9,593,634	6,591,668	16,185,302	8,014,659	6,565,686	14,580,345
V. SECURITIES ISSUED (Net)	V-II-3	2,866,343	7,518,365	10,384,708	2,301,798	4,518,937	6,820,735
5.1 Bills		2,866,343	-	2,866,343	2,301,798	-	2,301,798
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	7,518,365	7,518,365	-	4,518,937	4,518,937
VI. FUNDS		20,089	-	20,089	23,431	-	23,431
6.1 Funds against borrower's note		-	-	-	-	-	-
6.2 Others		20,089	-	20,089	23,431	-	23,431
VII. MISCELLANEOUS PAYABLES		2,920,619	423,800	3,344,419	2,529,208	311,860	2,841,068
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	573,091	947,128	1,520,219	471,762	1,038,853	1,510,615
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	V-II-7	4,086,058	25,879	4,111,937	3,531,303	62,149	3,593,452
12.1 General provisions	V-II-7	1,591,002	12,240	1,603,242	1,179,012	11,727	1,190,739
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		626,273	838	627,111	561,411	803	562,214
12.4 Insurance technical provisions	V-II-7	1,633,739	8,973	1,642,712	1,541,611	8,767	1,550,378
12.5 Other provisions	V-II-7	235,044	3,828	238,872	249,269	40,852	290,121
XIII. TAX LIABILITIES	V-II-8	485,576	8,419	493,995	241,397	1,335	242,732
13.1 Current tax liabilities	V-II-8	477,758	1,029	478,787	237,422	1,335	238,757
13.2 Deferred tax liabilities	V-I-15	7,818	7,390	15,208	3,975	-	3,975
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1 Payables related to the assets held for sale		-	-	-	-	-	-
14.2 Payables related to the discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	V-II-10	-	2,126,436	2,126,436	-	1,964,663	1,964,663
XVI. EQUITY		14,408,274	552,249	14,960,523	12,090,402	380,556	12,470,958
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		1,025,056	280,801	1,305,857	511,720	122,858	634,578
16.2.1 Share premium		727,780	-	727,780	726,686	-	726,686
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	240,729	280,801	521,530	(272,577)	122,858	(149,719)
16.2.4 Revaluation surplus on tangible assets		52,864	-	52,864	51,329	-	51,329
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		3,683	-	3,683	6,282	-	6,282
16.2.8 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		-	-	-	-	-	-
16.3 Profit reserves		8,664,406	130,184	8,794,590	7,195,316	143,130	7,338,446
16.3.1 Legal reserves		1,062,732	6,513	1,069,245	898,804	5,362	904,166
16.3.2 Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3 Extraordinary reserves		7,341,533	4,594	7,346,127	6,002,598	4,593	6,007,191
16.3.4 Other profit reserves		253,804	119,077	372,881	287,577	133,175	420,752
16.4 Profit or loss		1,772,859	101,133	1,873,992	1,611,380	77,453	1,688,833
16.4.1 Previous years' profit/loss		(14,354)	82,669	68,315	(28,542)	64,901	36,359
16.4.2 Current year's profit/loss		1,787,213	18,464	1,805,677	1,639,922	12,552	1,652,474
16.5 Non-controlling interest		445,953	40,131	486,084	271,986	37,115	309,101
TOTAL LIABILITIES AND EQUITY		102,203,123	61,348,339	163,551,462	88,889,544	50,898,038	139,787,582

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

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED OFF-BALANCE SHEET**
AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period 31 December 2014			Audited Prior Period 31 December 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II-III)		42,988,855	49,879,901	92,868,756	65,938,502	56,628,425	122,566,927
I. GUARANTEES AND SURETIES	V-III-2-4	16,892,950	11,782,097	28,675,047	14,340,111	9,066,595	23,406,706
1.1 Letters of guarantee	V-III-1	16,842,349	4,616,458	21,458,807	14,268,047	3,633,776	17,901,823
1.1.1 Guarantees subject to State Tender Law		1,869,107	2,266,261	4,135,368	1,905,899	1,952,543	3,858,442
1.1.2 Guarantees given for foreign trade operations		913,389	-	913,389	650,221	-	650,221
1.1.3 Other letters of guarantee		14,059,853	2,350,197	16,410,050	11,711,927	1,681,233	13,393,160
1.2 Bank acceptances		20,836	1,943,257	1,964,093	12,129	1,040,149	1,052,278
1.2.1 Import letter of acceptance		2,190	78,990	81,180	1,500	77,393	78,893
1.2.2 Other bank acceptances		18,646	1,864,267	1,882,913	10,629	962,756	973,385
1.3 Letters of credit		-	5,212,911	5,212,911	7,866	4,382,383	4,390,249
1.3.1 Documentary letters of credit		-	5,212,911	5,212,911	7,866	4,382,383	4,390,249
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	1,845	1,845	-	1,702	1,702
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		29,765	5,023	34,788	52,069	6,666	58,735
1.8 Other guarantees		-	2,603	2,603	-	1,759	1,759
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		19,426,933	7,734,462	27,161,395	45,490,756	26,572,506	72,063,262
2.1 Irrevocable commitments		17,917,041	2,878,768	20,795,809	15,323,929	3,855,721	19,179,650
2.1.1 Asset purchase commitments	V-III-1	46,228	2,640,634	2,686,862	539,362	3,636,414	4,175,776
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	8,053,342	14,859	8,068,201	6,730,503	8,853	6,739,356
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	1,638,976	-	1,638,976	1,320,438	-	1,320,438
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	7,641,987	-	7,641,987	6,261,117	-	6,261,117
2.1.10 Commitments for credit card and banking operations promotions		247,938	-	247,938	238,991	-	238,991
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments	V-III-1	288,570	223,275	511,845	233,518	210,454	443,972
2.2 Revocable commitments		1,509,892	4,855,694	6,365,586	30,166,827	22,716,785	52,883,612
2.2.1 Revocable loan granting commitments		1,509,892	4,817,757	6,327,649	30,161,137	22,691,169	52,852,306
2.2.2 Other revocable commitments		-	37,937	37,937	5,690	25,616	31,306
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	6,668,972	30,363,342	37,032,314	6,107,635	20,989,324	27,096,959
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		6,668,972	30,363,342	37,032,314	6,107,635	20,989,324	27,096,959
3.2.1 Forward foreign currency purchases/sales		242,929	312,275	555,204	602,810	731,325	1,334,135
3.2.1.1 Forward foreign currency purchases		121,619	156,073	277,692	301,203	365,654	666,857
3.2.1.2 Forward foreign currency sales		121,310	156,202	277,512	301,203	365,671	667,278
3.2.2 Currency and interest rate swaps		5,782,733	22,857,662	28,640,395	5,331,187	16,127,197	21,458,384
3.2.2.1 Currency swaps-purchases		1,810,386	11,235,508	13,045,894	3,299,610	7,487,077	10,786,687
3.2.2.2 Currency swaps-sales		3,772,347	4,343,916	8,116,263	2,031,577	4,494,972	6,526,549
3.2.2.3 Interest rate swaps-purchases		100,000	3,639,119	3,739,119	-	2,072,574	2,072,574
3.2.2.4 Interest rate swaps-sales		100,000	3,639,119	3,739,119	-	2,072,574	2,072,574
3.2.3 Currency, interest rate and security options		385,890	671,358	1,057,248	173,608	169,225	342,833
3.2.3.1 Currency call options		192,645	335,629	528,274	85,819	84,611	170,430
3.2.3.2 Currency put options		192,645	335,629	528,274	85,819	84,611	170,430
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	1,000	3	1,003
3.2.3.6 Security put options		-	-	-	1,000	-	1,000
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Others		258,020	6,522,147	6,780,167	3,961,577	3,961,577	3,961,577
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		707,625,482	298,960,692	1,006,586,174	840,321,095	225,977,220	1,066,298,315
IV. ITEMS HELD IN CUSTODY		59,034,803	2,220,606	61,255,409	351,973,501	1,599,747	353,573,248
4.1 Customers' securities held		519,902	22,567	542,469	378,412	20,816	399,228
4.2 Investment securities held in custody		48,314,735	94,082	48,408,817	343,312,429	-	343,312,429
4.3 Checks received for collection		8,405,605	1,486,159	9,891,764	6,727,932	898,858	7,626,790
4.4 Commercial notes received for collection		1,197,188	25,511	1,452,699	88,271	23,334	1,121,005
4.5 Other assets received for collection		2,152	93	2,245	30,152	86	2,238
4.6 Assets received through public offering		6,818	6,818	13,636	6,289	6,289	12,578
4.7 Other items under custody		17,091	87,256	104,347	25,241	146,926	172,167
4.8 Custodians		578,130	269,120	847,250	543,664	293,438	837,102
V. PLEDGED ITEMS		180,417,729	59,408,743	239,826,472	174,951,547	50,574,396	225,525,943
5.1 Securities		242,862	18,614	261,476	336,298	27,434	363,732
5.2 Guarantees notes		944,683	232,965	1,177,648	701,695	239,873	941,568
5.3 Commodities		25,696,626	590,812	26,287,438	23,434,930	990,995	24,425,925
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		142,345,512	47,319,679	189,665,191	112,539,683	39,831,978	152,371,661
5.6 Other pledged items		10,335,024	21,449,594	31,784,618	8,343,995	9,350,018	17,694,013
5.7 Pledged items-depository		853,022	132,079	985,101	29,594,546	134,098	29,728,644
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		468,172,950	237,331,243	705,504,193	313,396,047	173,803,077	487,199,124
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		750,614,337	348,840,593	1,099,454,930	906,259,597	282,605,645	1,188,865,242

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period		Audited Prior Period	
		1 January 2014-31 December 2014	31 December 2014	1 January 2013-31 December 2013	31 December 2013
I. INTEREST INCOME			11,664,524		9,440,435
1.1 Interest income from loans	V-IV-1		9,393,240		7,619,741
1.2 Interest income from reserve deposits			2,015		-
1.3 Interest income from banks	V-IV-1		67,307		57,026
1.4 Interest income from money market transactions			931		906
1.5 Interest income from securities portfolio	V-IV-1		2,061,241		1,616,594
1.5.1 Trading financial assets	V-IV-1		11,253		14,909
1.5.2 Financial assets designated at fair value through profit or loss			-		-
1.5.3 Available-for-sale financial assets	V-IV-1		1,489,664		1,198,307
1.5.4 Held-to-maturity investments	V-IV-1		560,324		403,378
1.6 Finance lease income			80,667		64,693
1.7 Other interest income			59,123		81,475
II. INTEREST EXPENSE			6,809,744		4,533,280
2.1 Interest expense on deposits	V-IV-2		5,043,936		3,543,409
2.2 Interest expense on funds borrowed	V-IV-2		243,009		175,752
2.3 Interest expense on money market transactions			925,913		387,285
2.4 Interest expense on securities issued	V-IV-2		445,715		257,758
2.5 Other interest expenses			151,171		169,076
III. NET INTEREST INCOME (I - II)			4,854,780		4,907,155
IV. NET FEES AND COMMISSIONS INCOME			674,456		629,107
4.1 Fees and commissions received			1,109,503		948,375
4.1.1 Non-cash loans			162,970		134,275
4.1.2 Others			946,533		814,100
4.2 Fees and commissions paid			435,047		319,268
4.2.1 Non-cash loans			918		742
4.2.2 Others			434,129		318,526
V. DIVIDEND INCOME	V-IV-3		12,229		16,429
VI. TRADING INCOME/LOSSES (Net)	V-IV-4		248,795		257,268
6.1 Trading account income/losses	V-IV-4		176,073		190,307
6.2 Income/losses from derivative financial instruments	V-IV-4		(39,189)		65,904
6.3 Foreign exchange gains/losses	V-IV-4		111,911		1,057
VII. OTHER OPERATING INCOME	V-IV-5		2,119,791		1,465,262
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			7,910,051		7,275,221
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6		1,747,665		1,812,609
X. OTHER OPERATING EXPENSES (-)	V-IV-7		3,903,605		3,457,933
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			2,258,781		2,004,679
XII. INCOME RESULTED FROM MERGERS			-		-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING			33,077		25,631
XIV. GAIN/LOSS ON NET MONETARY POSITION			-		-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	V-IV-8		2,291,858		2,030,310
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-9		(478,015)		(402,131)
16.1 Current tax charges	V-IV-11		(612,250)		(351,394)
16.2 Deferred tax credits	V-IV-11		134,235		(50,737)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12		1,813,843		1,628,179
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-		-
18.1 Income from investment properties			-		-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures			-		-
18.3 Other income from discontinued activities			-		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-)			-		-
19.1 Investment property expenses			-		-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures			-		-
19.3 Other expenses from discontinued activities			-		-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)			-		-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)			-		-
21.1 Current tax charge			-		-
21.2 Deferred tax charge			-		-
XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)			-		-
XXIII. NET PROFIT/LOSS (XVI+XXII)	V-IV-12		1,813,843		1,628,179
23.1. Equity holders of the Bank			1,805,677		1,652,474
23.2. Non-controlling interest(-)	V-IV-13		8,166		(24,295)
Earnings per 100 Share (full TL)	III-XXIV		0.7255		0.6513

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GAINS AND LOSSES RECOGNIZED IN EQUITY	Notes	Audited Current Period 1 January 2014- 31 December 2014	Audited Prior Period 1 January 2013- 31 December 2013
VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED			
I. IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	V-V-6	826,465	(1,045,551)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS		-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV. CURRENCY TRANSLATION DIFFERENCES		(15,664)	73,162
GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)			
V. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)		-	-
EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS			
VII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS		(36,780)	(9,198)
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-6	(153,802)	90,441
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)		620,219	(891,146)
XI. CURRENT PERIOD'S PROFIT/(LOSS)		1,813,843	1,628,179
11.1 Change in fair value of securities (transfers to the statement of income)	V-V-6	168,124	253,151
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges		-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges		-	-
11.4 Others		1,645,719	1,375,028
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)		2,434,062	737,033

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Capital Reserves from Inflation Adj. to Paid-in Capital	Share Cancellation Premium	Share Cancellation Profits	Share	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Previous Year's Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Discount	Minority Shareholders' Equity Before	Non-controlling Interest	Total Equity
CHANGES IN EQUITY																		
Prior period - 31 December 2013	2,500,000	-	726,720	-	753,941	5,050	4,802,343	352,193	1,423,451	94,638	720,811	50,452	1,779	-	-	11,431,378	397,619	11,828,997
Changes during the period																		
III. Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	(859,663)	-	-	-	-	(859,663)	-	(859,663)
IV. Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	66,111	-	-	-	-	4,503	-	-	66,111	7,051	73,162
VIII. Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Effect of change in reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the group's equity	-	-	-	-	-	-	-	-	-	-	(10,867)	-	-	-	-	(10,867)	(603)	(11,470)
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	(22,079)	1,652,474	-	-	-	-	-	-	(22,079)	(76,119)	(98,198)
XVII. Current period's profit/loss	-	-	-	-	-	-	-	24,527	(1,423,451)	(58,279)	-	877	-	-	-	1,652,474	(24,295)	1,628,179
XVIII. Profit distribution	-	-	(34)	-	150,225	1,287	1,204,848	24,527	(1,423,451)	(58,279)	-	877	-	-	-	(100,000)	(292)	(100,292)
18.1. Dividends	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	(100,000)	(292)	(100,292)
18.2. Transferred to reserves	-	-	-	-	150,225	1,287	1,204,848	24,527	(1,423,451)	(58,279)	-	877	-	-	-	-	-	-
18.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period	2,500,000	-	726,686	-	904,166	6,337	6,007,191	420,752	1,652,474	36,359	(149,719)	51,329	6,282	-	-	12,161,857	309,101	12,470,958
Current period - 31 December 2014	2,500,000	-	726,686	-	904,166	6,337	6,007,191	420,752	1,652,474	36,359	(149,719)	51,329	6,282	-	-	12,161,857	309,101	12,470,958
Changes at the beginning of the period	2,500,000	-	726,686	-	753,941	5,050	4,802,343	352,193	1,423,451	94,638	720,811	50,452	1,779	-	-	11,431,378	397,619	11,828,997
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation differences of marketable securities	-	-	-	-	-	-	-	-	-	-	671,249	-	-	-	-	-	-	671,249
IV. Hedging Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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. Effect of change in reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on the group's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	1,094	-	860	-	5,824	(33,886)	-	(20,762)	-	-	-	-	-	(46,870)	169,748	122,878
XVII. Current period's profit/loss	-	-	-	-	-	-	-	-	1,605,677	-	-	-	-	-	-	1,605,677	5,166	1,610,843
XVIII. Profit distribution	-	-	-	-	164,219	-	1,333,112	113	(1,652,474)	53,495	-	1,535	-	-	-	(100,000)	(2,371)	(102,371)
18.1. Dividends	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	(100,000)	(2,371)	(102,371)
18.2. Transferred to reserves	-	-	-	-	164,219	-	1,333,112	113	(1,652,474)	53,495	-	1,535	-	-	-	-	-	-
18.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period	2,500,000	-	727,780	-	1,069,245	6,337	7,246,127	372,881	1,605,677	68,315	521,530	52,864	5,683	-	-	14,474,139	486,084	14,960,223

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		3,209,873	2,772,614
1.1.1 Interests received		10,753,156	8,407,894
1.1.2 Interests paid		(6,710,476)	(4,377,459)
1.1.3 Dividends received		5,869	15,500
1.1.4 Fee and commissions received		1,109,503	948,375
1.1.5 Other income		1,231,954	788,314
1.1.6 Collections from previously written-off loans and other receivables	V-I-5	707,442	555,877
1.1.7 Payments to personnel and service suppliers		(1,415,182)	(2,974,541)
1.1.8 Taxes paid		(556,581)	(369,556)
1.1.9 Others	V-VI-1	(1,915,812)	(221,790)
1.2 Changes in operating assets and liabilities		(2,887,087)	(3,099,826)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		141,710	(14,697)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(2,045)	(6,439,722)
1.2.4 Net (increase) decrease in loans		(19,225,256)	(20,734,486)
1.2.5 Net (increase) decrease in other assets		(31,827)	(1,091,406)
1.2.6 Net increase (decrease) in bank deposits		721,273	50,580
1.2.7 Net increase (decrease) in other deposits		9,627,944	14,525,085
1.2.8 Net increase (decrease) in funds borrowed		3,932,304	3,632,787
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	V-VI-1	1,948,810	6,972,033
I. Net cash flow from banking operations		322,786	(327,212)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(634,008)	(3,254,820)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	(205,714)	(39,346)
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Cash paid for purchase of tangible assets		(175,892)	(190,309)
2.4 Proceeds from disposal of tangible assets		230,805	258,122
2.5 Cash paid for purchase of available-for-sale financial assets		(5,907,461)	(5,407,527)
2.6 Proceeds from disposal of available-for-sale financial assets		6,871,852	3,185,577
2.7 Cash paid for purchase of held-to-maturity investments		(2,869,774)	(2,530,205)
2.8 Proceeds from disposal of held-to-maturity investments		1,466,184	1,507,738
2.9 Others	V-VI-1	(44,008)	(38,870)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		3,409,685	4,303,151
3.1 Cash obtained from funds borrowed and securities issued		8,540,424	8,721,903
3.2 Cash used for repayment of funds borrowed and securities issued		(5,028,368)	(4,318,460)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(102,371)	(100,292)
3.5 Re-payments for finance leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1	4,539	(9,013)
V. Net decrease in cash and cash equivalents		3,103,002	712,106
VI. Cash and cash equivalents at the beginning of the year	V-VI-4	6,087,903	5,375,797
VII. Cash and cash equivalents at the end of the period	V-VI-4	9,190,905	6,087,903

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 31 December 2014	Prior Period 31 December 2013
I. DISTRIBUTION OF CURRENT YEAR PROFIT^(*)			
1.1 CURRENT YEAR'S PROFIT		2,213,676	1,982,914
1.2 TAXES AND LEGAL DUTIES PAYABLE		(460,403)	(397,375)
1.2.1 Corporate tax (Income tax)	V-IV-11	(601,519)	(341,481)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties ^(*)	V-IV-11	141,116	(55,894)
A. NET PROFIT FOR THE YEAR		1,753,273	1,585,539
1.3 DEFERRED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	-	-
B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME		1,753,273	1,585,539
1.4 ACCUMULATED LOSSES		-	-
1.5 FIRST LEGAL RESERVES	V-V-5	-	(79,278)
1.6 OTHER STATUTORY RESERVES	V-V-5	-	(79,278)
C. NET PROFIT AVAILABLE FOR DISTRIBUTION ^(*)		-	1,426,983
1.7 FIRST DIVIDEND TO SHAREHOLDERS		-	100,000
1.7.1 To owners of ordinary shares		-	100,000
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
1.8 DIVIDENDS TO PERSONNEL		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
1.11 SECOND LEGAL RESERVES		-	-
1.12 STATUS RESERVES		-	-
1.13 EXTRAORDINARY RESERVES	V-V-5	-	1,325,482
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS	V-V-5	-	1,501
II. DISTRIBUTION FROM RESERVES			
2.1 DISTRIBUTION OF 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 privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)		0.7013	0.6342
3.2 TO OWNERS OF ORDINARY SHARES (%)		70.13	63.42
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES		-	0.04
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	4.00
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) As at report date, no resolution has been decided regarding about 2014 profit distribution. Accordingly, net profit available for distribution has not been presented.

(*) The amount shown in the other taxes and duties is the deferred tax income/loss which is not subject to profit distribution.

(*) Profit distribution table has been presented according to unconsolidated financial statements of the Parent Bank.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT AS AT AND****FOR THE YEAR 31 DECEMBER 2014**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION THREE**ACCOUNTING POLICIES****I. BASIS OF PRESENTATION**

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which are effective from 1 November 2005, the Turkish Commercial Code (“TCC”) and Turkish tax legislation. The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all defined as “BRSA Principles”). The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and consolidated investments in associates and subsidiaries whose fair value can be reliably measured and assets available for sale, which are presented on a fair value basis.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV. below.

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 consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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 jurisdictions other than Turkey and IFRS.

II. STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**Strategy for the use of financial instruments**

The Parent Bank’s core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Parent Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity, interbank money market takings and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

It is essential to consider the maturity structure of assets and liabilities in liquidity management. The essence of asset liability management is the keep the liquidity risk, interest rate risk, exchange rate risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the Bank’s shareholders’ equity.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Lending loans and investments in marketable securities generate higher return than the average rate of return of the Bank's operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but earn lower return. The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities.

Foreign currency position is closely followed taking the legal limits and the Bank's internal control regulations, formed in a balanced basket taking the market conditions into account.

In order to avoid interest rate risk, assets and liabilities having fixed and floating interest rates are kept in balance, taking the maturity structure into consideration.

Information on foreign currency transactions

Transactions of the Parent Bank and its consolidated subsidiaries located in Turkey are recorded in TL, the functional currency of the Parent Bank and the related subsidiaries. Foreign currency transactions are recorded using the foreign exchange rates ruling at the transaction date. The foreign exchange rate differences are recognized as foreign exchange gains or losses in the statement of income.

Foreign exchange differences resulting from amortized costs of foreign currency denominated available-for-sale financial assets are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "valuation differences of marketable securities" under equity.

If the net investments in associates and subsidiaries operating in foreign countries are measured at cost, they are reported as translated into TL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

III. INFORMATION ON COMPANIES SUBJECT TO CONSOLIDATION

Investments in consolidated companies

As at and for year ended 31 December 2014, the financial statements of T. Vakıflar Bankası T.A.O, Vakıf International A.G., Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Finans Faktoring Hizmetleri A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

Vakıf International AG, was established in 1999 to operate in the banking sector in foreign countries, in line with the Bank's globalization policy. Its head office is in Vienna.

Vakıf Finansal Kiralama A.Ş., was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Güneş Sigorta A.Ş. was established under the leadership of the Bank and Toprak Mahsulleri Ofisi in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transaction, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

Vakıf Emeklilik A.Ş. was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the Company has taken conversion permission from Treasury and started to operate in private pension system. Its head office is in Istanbul.

Vakıf Finans Faktoring Hizmetleri A.Ş. was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler A.Ş. was established in 1996 to provide service to investors through making capital markets transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase and sales of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

Vakıf Portföy Yönetimi A.Ş. operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

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Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company’s main operation is in line with the scope in the Capital Markets Board’s regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd, a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 31 December 2014 and 31 December 2013 but its equity until the liquidation decision date has included in the accompanying consolidated financial statements.

The liquidation process of World Vakıf Off UBB Ltd, an associate of the Parent Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the company’s name has been changed as “World Vakıf UBB Ltd in Liquidation”.

As per the resolution of the Board of Directors of the Parent Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at 31 December 2014 and 31 December 2013, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the year ended 31 December 2014, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

Kıbrıs Vakıflar Bankası Ltd. was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

Türkiye Sınai Kalkınma Bankası A.Ş. was established in 1950 to support investments in all economic sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency forward contracts and foreign currency options. The Group has classified its derivative transactions as “trading derivatives” in accordance with the TAS 39 – *Financial Instruments: Recognition and Measurement*.

Derivatives are initially recorded at their acquisition costs including the transaction costs.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts stated on the related derivative contracts.

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under “derivative financial assets held for trading purpose” or “derivative financial liabilities held for trading purpose”. The subsequent fair value changes are recorded in the consolidated statement of income.

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V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

Interest income and expense are recognized according to the effective interest method based on accrual basis. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are additional costs that are directly related to the acquisition, emission or disposal of financial assets or liabilities.

As per relevant legislation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

Finance leasing activities

The total of minimum rent amounts are recorded at "finance lease receivables" account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at "unearned income" account. As the rents are collected, "finance lease receivables" account is decreased by the rent amount; and the interest component is recorded in the consolidated statement of income as interest income.

Factoring operations

Factoring receivables are initially recorded at their historical costs less transaction costs. They are amortized using the effective interest method, taking their historical costs and future cash flows into account and the amortized amounts are recognized as "other interest income" in the consolidated statement of income.

VI. INFORMATION ON FEES AND COMMISSIONS

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission, incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

VII. INFORMATION ON FINANCIAL ASSETS

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. Purchase and sale transactions of securities are accounted at settlement dates.

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

Financial assets at fair value through profit or loss

Financial assets, which are classified as "financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Such assets are measured at their fair values and gain/loss arising is recorded in the consolidated statement of income. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the consolidated statement of income. The gains/losses in case of disposal of such securities before their maturities are recorded under trading income/losses in the consolidated statement of income.

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Held to maturity investments, available-for-sale financial assets and loans and receivables

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables.

There are no financial assets that are not allowed to be classified as held-to-maturity investments for two years due to the tainting rules applied for the breach of classification rules.

Held-to-maturity investments are measured at amortized cost using effective interest method after deducting impairments, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses calculated as the difference between the fair values and the discounted values of available for sale financial assets are recorded in "valuation differences of the marketable securities" under the equity. In case of sales, the realized gain or losses are recognized directly in the consolidated statement of income.

Purchase and sales of investment securities are recognized at the date of delivery. The changes in fair value of assets during the period between trade date and settlement date are accounted for in financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held for trading in the settlement date-accounting policy.

Loan and receivables are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recorded at cost and measured at amortized cost by using effective interest method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

Associates and subsidiaries

The subsidiaries are enterprises that gain favour from managing Bank's financial and operation policies. In unconsolidated financial tables, subsidiaries are accounted in accordance with TAS 39. If subsidiaries are traded at organized markets and the fair values of these subsidiaries can be determined, these subsidiaries are accounted with their fair values. Otherwise, subsidiaries are accounted with their cost values after deducting impairment and provision in the financial tables.

In unconsolidated financial tables, associates are accounted in accordance with TAS 39. If associates are traded at organized markets and the fair values of these associates can be determined, these associates are accounted with their fair values. Otherwise, associates are accounted with their cost values after deducting impairment and provision in the financial tables.

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (loss event(s)) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no. 26333 dated 1 November 2006 and the amendments to this regulation. The allowances are recorded in the statement of income of the related period.

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IX. INFORMATION ON NETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right of the Group to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

X. INFORMATION ON REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are recorded on the balance sheet. Government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and classified under “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements (“reverse repo”) are classified under “Interbank Money Markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

XI. INFORMATION ON ASSETS AND LIABILITIES ARISING FROM ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovable obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Group has no goodwill.

The Group’s intangible assets consist of software. Intangible assets are initially recorded at their costs in compliance with the TAS 38-*Intangible Assets*.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized on their restated costs based on straight line amortisation.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36-*Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after deducting financing expenses and foreign exchange differences if any.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

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.

Depreciation rates and estimated useful lives are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%)
Buildings	50	2
Office equipment, furniture and fixture, and vehicles	5-10	10-20
Assets obtained through finance leases	4-5	20-25

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

At each reporting sheet date, the Group evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36-Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. INFORMATION ON INVESTMENT PROPERTIES

Investment property is a property held either to earn rental income or for capital appreciation or for both. Group held investment property with respect to the consolidated real estate investment and insurance firms' activities.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Investment properties, following the initial recording, are measured by acquisition cost method (reducing accumulated depreciation and if it is present, provisions for impairment from acquisition cost) that is used in tangible assets.

XV. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the consolidated balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

Finance leasing activities as the lessor

The rent amounts at the beginning of the finance leasing activities are recorded at "finance lease receivables" account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at "unearned income" account. As the rents are collected, "finance lease receivables" account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

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Operational leases

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XVI. INFORMATION ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

In the consolidated financial statements, a provision is booked for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the consolidated financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements but are assessed continuously to ensure that related updates are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Provision for severance payments

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Parent Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2014 is TL 3,438 (full TL) (31 December 2013: TL 3,254 (full TL)).

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19-*Employee Benefits*.

As at 31 December 2014 and 31 December 2013, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount Rate	8.60%	9.70%
Estimated Inflation Rate	6.50%	6.40%

Other benefits to employees

In the accompanying consolidated financial statements, the Group has provided provision in compliance with TAS 19, for undiscounted other employee benefits earned during the financial period as per services rendered.

The accounting of actuarial gains and losses due to the changes in actuarial assumptions or the differences between assumption and realized has been changed to be applied as at or after the account periods starting from 1 January 2013 by “The communique (No: 9) about Employee Benefits (“TAS 19”)” published by the Official Gazette No. 28585 dated 12 March 2013 issued by Public Oversight Accounting and Auditing Standards Authority. “Transition and Validity Date” in the standard permits retrospective application. Thus, actuarial gains and losses have been accounted in “Other Profit Reserves” shown under “Equity” associated with “The Statement of Gains and Losses Recognized in Equity” for the respective reporting periods.

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Pension fund

The employees of the Parent Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on 15 May 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

The first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no. 5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

Constitutional Court has indicated the probable losses in acquired rights of fund members as the reason of the cancellation decision. Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

- a) The technical interest rate to be used for the actuarial calculation is 9.80%.
- b) Income and expenditures in respect to fund’s insurance division are considered in the calculation of discounted liability.

Law requires the transfer to be completed in three years beginning from 1 January 2008. The three year period has expired on 8 May 2011; however, it has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated 3 May 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated 30 April 2014 has extended for one year to 8 May 2014.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security Foundation.

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2015 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

XVIII. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to the total income of the corporations adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The corporate tax rate for the Group's subsidiary in Austria has been determined as 25%. Prepaid corporate taxes for every three months are computed and paid using the related period's tax rate. Taxes which have been paid for previous periods can be deducted from corporate taxes computed on annual taxable income. According to the Double Taxation Treaty Agreement between Turkey and Austria, Turkish corporations in Austria possess the right to benefit from tax returns of 10% on interest earned from the investments and loans granted in Turkey.

Deferred taxes

According to the TAS 12-*Income Taxes*; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and deferred tax liabilities for each subsidiary subject to consolidation are presented after offsetting these assets and liabilities in the financial statements of the related subsidiaries, since the subsidiaries have legal right to offset tax assets and tax liabilities. In the consolidated financial statements, deferred tax assets and deferred tax liabilities are not offsetted since the subsidiaries subject to consolidation do not have the right to receive a net receivable or pay a net payable legally.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the consolidated statement of income, then the related current and/or deferred tax effects are also recognized in the consolidated statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Investment incentive

As per the provisional Article no. 69, effective from 1 January 2006, added to the Income Tax Law no. 193 by Law no. 5479 dated 8 April 2006 and published in Official Gazette no. 26133, tax payers could deduct investment incentives which were calculated according to the legislative provisions (including tax rate related provisions) in force on 31 December 2005, only from the taxable income for the years 2006, 2007, and 2008. The rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, were lost as at 31 December 2008.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, the 2006, 2007 and 2008 clause of the provisional Article no. 69 of the Income Tax Law mentioned above, is repealed and the time limitation for the use of the investment incentive is removed. The repeal related to the investment incentive was enacted and issued in the 8 January 2010 Official Gazette number 27456. Accordingly, the Group's subsidiary operating in finance leasing business will be able to deduct its remaining investment incentives from taxable income in the future without any time limitation.

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As per “Law regarding amendments to the Income Tax Law and Some Other Certain Laws and Decree Laws” accepted on 23 July 2010 at the Grand National Assembly of Turkey, the expression of “can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate) valid at this date” has been amended as “can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate as explained in the second clause of the temporary article no 61 of the Law) valid at this date” and the following expression of “Investment incentive amount used in determination of the tax base shall not exceed 25% of the associated taxable income. Tax is computed on the remaining income per the enacted tax rate” has been added. This Law has been published in the Official Gazette on 1 August 2010.

The clause “The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income” which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20.

XIX. ADDITIONAL INFORMATION ON BORROWINGS

Group obtains funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank obtained funds through issuance of bonds and bills domestically and internationally.

These transactions are initially recognized at acquisition costs at the transaction date and are subsequently measured at amortized cost using effective interest method.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Parent Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank’s outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as “Share Premiums” in shareholders’ equity. TL 448,429 of this amount has been utilized in capital increase on 19 December 2006.

XXI. CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. As at the balance sheet date, there are no acceptances recorded as liability in return for assets.

XXII. GOVERNMENT INCENTIVES

As at 31 December 2014, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 248,780. (31 December 2013: TL 253,039).

XXIII. SEGMENT REPORTING

Operational segments are determined based the structure of the Group’s risks and benefits and presented in Section Four Note X.

XXIV. OTHER DISCLOSURES

Earnings per shares

Earnings per share is calculated by dividing the net profit for the period to weighted average of outstanding shares. In Turkey, the companies may perform capital increase (“Bonus Shares”) from retained earnings. In earning per share computation bonus shares are treated as issued shares.

As at and for the year ended 31 December 2014, earning per 100 shares is full TL 0.7255 (31 December 2013: full TL 0.6513).

Related parties

Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24-Related Party Disclosures Standard. Transactions made with related parties are disclosed in Section Five Note VII.

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Cash and cash equivalents

Cash which is a base for preparation of cash flow statement includes cash in TL, cash in FC, cheques, demand deposits for both Central Bank of Turkey and other banks, whereas cash equivalents consists of money market placements and time deposits at banks and marketable securities whose original maturity is less than 3 months.

Classifications

There might be certain reclassifications in the financial statements as of 31 December 2013 in order to maintain consistency with the financial statement presentation as of 31 December 2014 audit report. Accordingly the assets to be disposed classified under "Fixed Assets" which has an amount of TL 564,744 has been reclassified to "Assets Held for Sale and "Provision for Short-Term Employee Benefits" classified under the "Provision for Losses on Loans and Other Receivables" in statement of Income which has an amount of TL 127,968 has been reclassified to "Other Operating Expense".

Insurance operations of the Group

Written Premiums: Written premiums represent premiums on policies written during the year net of taxes and premiums of the cancelled policies produced in previous years. Written premiums, net off ceded are recorded under other operating income in the accompanying consolidated statement of income.

Reserve for unearned premiums: Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long-term insurance contracts. Reserve for unearned premiums is presented under "insurance technical provisions" in the accompanying consolidated financial statements.

Reserve for outstanding claims: Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims ("IBNR"). IBNR and subrogation and salvage reimbursements are recognized as the highest of the amount calculated based on historical data and results of actuarial chain ladder method. Reserve for outstanding claims is presented under "insurance technical provisions" in the accompanying consolidated financial statements.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions savings and profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Under secretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date.

Mathematical provisions are presented under "insurance technical provisions" in the accompanying consolidated financial statements.

Deferred acquisition cost and deferred commission income: Commissions given to the intermediaries and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalized as deferred acquisition cost. Deferred acquisition costs are amortized on a straight-line basis over the life of the contracts. Commission income obtained from the premiums ceded to reinsurance firms are also deferred and amortized on a straight-line basis over the life of the contracts.

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Liability adequacy test: At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing this test, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision under "insurance technical provisions" in the accompanying consolidated financial statements.

If the result of the test is that a loss is required to be recognised, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

Individual pension business

Individual pension system receivables presented under 'other assets' in the accompanying consolidated financial statements consists of 'receivables from the clearing house on behalf of the participants'. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

'Receivables from the clearing house on behalf of the participants' is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the 'individual pension system payables'.

In addition to the 'payables to participants' account, mentioned in the previous paragraph, individual pension system payables also includes participants' temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested. Individual pension system payables are presented under other liabilities and provisions in the accompanying consolidated financial statements.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees. Fees received from individual pension business are recognised in other income in the accompanying consolidated statement of comprehensive income.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP

I. CONSOLIDATED CAPITAL ADEQUACY RATIO

As at 31 December 2014 the Bank's consolidated capital adequacy ratio is 13.73% (31 December 2013: 13.21%). The Parent Bank's unconsolidated capital adequacy ratio is 13.96% (31 December 2013: 13.70%).

The risk measurement methods in calculation of capital adequacy ratio

Consolidated capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)", "Regulation on Credit Risk Mitigation Techniques" and "Communiqué on Risk Weighted Amounts for Securitization Exposures" published in Official Gazette no. 28337 dated 28 June 2012 and "Regulation on the Equity of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of consolidated capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as "Trading Book" and "Banking Book"; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Group classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies "basic financial guarantee method" in the consideration of risk mitigating elements for banking book accounts.

Trading Book Accounts and the Items Deducted from the Capital Base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks", subjected to risk mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the "Communiqué on Credit Risk Mitigation Techniques", classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for "Counterparty Credit Risk". The Bank applies "Fair Value Measurement" in the calculation of "Counterparty Credit Risk".

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Information on unconsolidated capital adequacy ratio

Current Period	Unconsolidated Risk Weights- 31 December 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at credit risk exposure categories	54,978,227	-	10,597,030	37,813,961	23,371,738	56,480,407	2,986,884	9,434,959	97,738	-
Risk classifications:										
Claims on sovereigns and Central Banks	46,173,249	-	-	5,454,530	-	-	-	-	-	-
Claims on regional governments or local authorities	16,257	-	2,439,440	507,007	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	34,810	-	979	-	-	1,017,536	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,031,344	-	6,911,054	1,475,539	-	2,127	-	-	-	-
Claims on corporate	207,239	-	1,137,923	910,484	-	45,989,999	-	-	-	-
Claims included in the regulatory retail portfolios	121,740	-	41,820	-	23,371,738	1,185,664	-	-	-	-
Claims secured by residential property	-	-	-	29,466,401	-	3,401,067	-	-	-	-
Past due loans	-	-	-	-	-	240,075	-	-	-	-
Higher risk categories decided by the Agency	11,949	-	3,166	-	-	-	2,986,884	9,434,959	97,738	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,381,639	-	62,648	-	-	4,643,939	-	-	-	-

Prior Period	Unconsolidated Risk Weights- 31 December 2013									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at credit risk exposure categories	49,625,046	-	7,404,139	29,328,116	22,187,404	46,462,916	2,837,152	9,393,300	11,741	-
Risk classifications:										
Claims on sovereigns and Central Banks	41,333,609	-	-	3,872,745	-	-	-	-	-	-
Claims on regional governments or local authorities	15,021	-	1,620,366	195,923	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	29,436	-	-	-	-	368,455	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	6,664,562	-	5,764,189	1,784,983	-	1,486	-	-	-	-
Claims on corporate	329,916	-	-	1,416,370	-	36,980,737	-	-	-	-
Claims included in the regulatory retail portfolios	97,240	-	-	-	22,187,404	1,490,513	-	-	-	-
Claims secured by residential property	-	-	-	22,058,095	-	3,132,085	-	-	-	-
Past due loans	-	-	-	-	-	255,994	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,837,152	9,393,300	11,741	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,155,262	-	19,584	-	-	4,233,646	-	-	-	-

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Summary information related to unconsolidated capital adequacy ratio

	Bank Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	9,490,415
Capital Requirement for Market Risk (MRCR)	55,940
Capital Requirement for Operational Risk (ORCR)	777,799
Shareholders' Equity	18,013,163
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	13.96
Core Capital/((CRCR+MRCR+ORCR)*12.5)*100	11.26
Tier I Capital/((CRCR+MRCR+ORCR)*12.5)*100	11.35
	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,185,603
Capital Requirement for Market Risk (MRCR)	26,097
Capital Requirement for Operational Risk (ORCR) ^(*)	655,046
Shareholders' Equity	15,179,536
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	13.70%

^(*) In accordance with the BRSA.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2013 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2012, 2011 and 2010 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 2011.

Information on consolidated capital adequacy ratio

Current Period	Consolidated Risk Weights- 31 December 2014									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at credit risk exposure categories	55,620,001	-	11,639,035	38,668,549	23,382,850	59,238,068	2,986,884	9,434,959	198,260	-
Risk classifications:										
Claims on sovereigns and Central Banks	46,808,952	-	-	5,539,730	-	-	-	-	-	-
Claims on regional governments or local authorities	16,258	-	2,467,609	507,006	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	34,810	-	979	-	-	1,017,536	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,031,351	-	7,924,889	1,807,130	-	6,730	-	-	-	-
Claims on corporate	207,240	-	1,137,923	1,348,282	-	49,100,468	-	-	-	-
Claims included in the regulatory retail portfolios	121,740	-	41,821	-	23,382,850	1,185,664	-	-	-	-
Claims secured by residential property	-	-	-	29,466,401	-	3,401,067	-	-	-	-
Past due loans	-	-	-	-	-	320,657	-	-	-	-
Higher risk categories decided by the Agency	11,949	-	3,166	-	-	-	2,986,884	9,434,959	198,260	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,387,701	-	62,648	-	-	4,205,946	-	-	-	-

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Information on consolidated capital adequacy ratio

Prior Period	Consolidated Risk Weights- 31 December 2013									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at credit risk exposure categories	50,426,929	-	7,739,899	29,955,165	22,234,970	48,481,930	2,837,152	9,393,300	11,741	-
Risk classifications:										
Claims on sovereigns and Central Banks	42,050,229	-	-	3,957,235	-	-	-	-	-	-
Claims on regional governments or local authorities	15,022	-	1,620,366	240,085	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	29,436	-	-	-	-	368,455	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	6,664,562	-	6,099,949	1,968,828	-	1,486	-	-	-	-
Claims on corporate	402,742	-	-	1,730,922	-	39,817,450	-	-	-	-
Claims included in the regulatory retail portfolios	102,613	-	-	-	22,234,970	1,490,513	-	-	-	-
Claims secured by residential property	-	-	-	22,058,095	-	3,132,085	-	-	-	-
Past due loans	-	-	-	-	-	369,026	-	-	-	-
Higher risk categories decided by the Agency	-	-	-	-	-	-	2,837,152	9,393,300	11,741	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,162,325	-	19,584	-	-	3,302,915	-	-	-	-

Summary information related to consolidated capital adequacy ratio

	Consolidated Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	9,782,654
Capital Requirement for Market Risk (MRRCR)	63,924
Capital Requirement for Operational Risk (ORCR)	768,723
Shareholders' Equity	18,212,972
Shareholders' Equity/(((CRCR+MRRCR+ORCR) *12,5*100)	13.73
Core Capital/(((CRCR+MRRCR+ORCR) *12,5*100)	11.07
Tier I Capital/(((CRCR+MRRCR+ORCR) *12,5*100)	11.17
	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	8,380,432
Capital Requirement for Market Risk (MRRCR)	58,981
Capital Requirement for Operational Risk (ORCR) ⁽¹⁾	764,882
Shareholders' Equity	15,199,794
Shareholders' Equity/(((CRCR+MRRCR+ORCR) *12,5*100)	13.21%

⁽¹⁾ In accordance with the BRSA.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2013 was measured by taking value at operational risk calculated based on consolidated gross incomes for the years ended 2012, 2011 and 2010 into consideration. For the year 2014, value at operational risk is being calculated based on consolidated gross incomes for the years ended 2013, 2012 and 2011.

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Information about the unconsolidated shareholder equity items

	Current Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	723,918
Share Cancellation Profits	-
Reserves	8,462,731
Other Comprehensive Income according to TAS	1,262,606
Profit	1,753,273
Current Period Profit	1,753,273
Previous Period Profit	-
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	69,222
Common Equity Tier 1 Capital Before Deductions	14,771,750
Deductions from Common Equity Tier 1 Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	97,140
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	28,153
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own 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 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 more of 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 than 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 Deductions from Common Equity Tier 1 Capital	125,293
Total Common Equity Tier 1 Capital	14,646,457
ADDITIONAL TIER 1 CAPITAL	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance 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 Tier 1 Capital before Deductions	-
Deductions from Additional Tier 1 Capital	
Direct and Indirect Investments of the Bank on its own Additional 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 (-)	-
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 of 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where are no adequate Tier II Capital (-)	-

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	Current Period
Total Deductions from Additional Tier 1 Capital	
Total Additional Tier 1 Capital	-
Deductions from Tier 1 Capital	112,613
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 (-)	112,613
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 (-)	-
Total Tier 1 Capital	14,533,844
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)	2,117,650
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	1,482,877
Tier II Capital before Deductions	
Deductions from Tier II Capital	3,600,527
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% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions 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	3,600,527
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	18,134,371
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable 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 (-)	120,737
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 (-)	471
The Portion of Total of Net Long Positions of the 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 Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than 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 Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued 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	18,013,163
Amounts below deduction thresholds	
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	72,437

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	Current Period
COMMON EQUITY TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	727,780
Share Cancellation Profits	-
Reserves	8,794,590
Other Comprehensive Income according to TAS	574,394
Profit	1,873,992
Current Period Profit	1,805,677
Previous Period Profit	68,315
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	3,683
Minority Shares	481,423
Common Equity Tier I Capital Before Deductions	14,955,862
Deductions from Common Equity Tier I Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	-
Leasehold Improvements on Operational Leases(-)	98,818
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	32,447
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own 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 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 more of 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 than 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 Deductions from Common Equity Tier I Capital	131,265
Total Common Equity Tier I Capital	14,824,597

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ADDITIONAL TIER I CAPITAL	-
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance 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)	-
Third Parties' share in additional core capital	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I 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 of 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where are no adequate Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Deductions from Tier I 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 (-)	129,788
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 (-)	-
Total Tier I Capital	14,694,809
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)	2,106,170
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	1,528,540
Third Parties' share in supplementary capital	4,661
Tier II Capital before Deductions	3,639,371
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% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions 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	3,639,371

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TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS

Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable 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 (-)	120,737
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 (-)	471
The Portion of Total of Net Long Positions of the 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 Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than 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 Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued 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	18,212,972
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	172,959

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Information about the consolidated shareholder equity items

	Prior Period
CORE CAPITAL	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-
Share Premium	726,686
Share Cancellation Profits	-
Reserves	7,338,446
Reserves from Inflation Adjustments to Reserves	-
Profit	1,688,833
Current Period's Profit	1,652,474
Prior Years' Profit	36,359
Provision for Possible Losses up to 25% of Core Capital	70,915
Income on Sale of Equity Shares and Real Estates	51,329
Primary Subordinated Debt up to 15% of Core Capital	-
Minority shares	307,448
Loss excess of Reserves (-)	-
Current Year's Loss	-
Prior Years' Loss	-
Leasehold Improvements (-)	84,982
Intangible Assets (-)	128,069
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Goodwill(Net)	-
Total Core Capital	12,470,606
SUPPLEMENTARY CAPITAL	-
General Provisions	1,190,739
45% of Revaluation Surplus on movables	-
45% of Revaluation Surplus on Immovables	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	6,282
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	1,945,816
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(149,719)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
Minority share	1,653
Total Supplementary Capital	2,994,771
CAPITAL	15,465,377
DEDUCTIONS FROM CAPITAL	265,583
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	179,121
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years	85,083
Securitisation positions that is deducted-preferably-from the shareholders' equity	-
Others	1,379
TOTAL EQUITY	15,199,794

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Components of items of shareholders' equity subject to temporary applications:

	Bank Only		Consolidated	
	Amount Included in Equity Calculation	Total Amount	Amount Included in Equity Calculation	Total Amount
Minorities' share in Tier I capital	-	-	-	-
Third Parties' share in additional core capital	-	-	-	-
Third Parties' share in supplementary capital	-	-	-	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014)	2,117,650	2,117,650	2,106,170	2,106,170

Information about the debt instruments included in the consolidated equity calculation:

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/US90015NAB91
Governing law(s) of the instrument	TURKEY
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Yes
Eligible at solo/group/group&solo	Available
Instrument type	Borrowing Instrument
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2,106
Par value of instrument	2,074
Accounting classification	347011
Original date of issuance	1-Nov-12
Perpetual or dated	Dated (10 years) Maturity Date: 1 November 2022
Issue date	1-Nov-12
Issuer call subject to prior supervisory approval	Available
Subsequent call dates, if applicable	-
Coupons/dividends	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	6.00%
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Nil
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7

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Information about the debt Instruments included in the unconsolidated equity calculation:

Issuer	T.Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/US90015NAB91
Governing law(s) of the instrument	TURKEY
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Yes
Eligible at solo/group/group&solo	Available
Instrument type	Borrowing Instrument
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2,118
Par value of instrument	2,088
Accounting classification	347011
Original date of issuance	1-Nov-12
Perpetual or dated	Dated (10 years) Maturity Date: 1 November 2022
Issue date	1-Nov-12
Issuer call subject to prior supervisory approval	Available
Subsequent call dates, if applicable	-
Coupons/dividends	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	6.00%
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Nil
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7

Approach adopted under internal capital adequacy assessment process for monitoring the adequacy of internal capital for current and future activities

In order to identify the internal capital adequacy assessment process and capital adequacy policy "Document on Internal Capital Adequacy Assessment Process" has been constituted and approved by Board of Directors of the Parent Bank on September 2012. The document includes planning of the capital, procedures and principles on emergency capital and risk reducing plans. The underlying objective of the internal capital adequacy assessment is continuous monitoring and maintaining of the varieties, components and distribution of capital required for eliminating actual and potential risks the Bank faces or might face.

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In this process, the effect of market conditions and probable changes in economic environment on capital is evaluated, additionally loan expansion expectations, funding resources, liquidity opportunities issues and risk profile and risk appetite of the Parent Bank are considered in accordance with the strategies and objectives of the Parent Bank. Capital adequacy is evaluated in terms of strategic plan and growth expectations of the Parent Bank for the year 2015 and accordingly capital increasing actions has taken in the current year.

In assessment process of internal capital requirement, credit risk, market risk, operational risk, interest rate risk arising from banking accounts, liquidity risk, reputation risk, residual risk, concentration risk, counterparty credit risk, sovereign risk and settlement risk are considered, and policies and implementing procedures for assessing and managing these risks are defined and approved by Board of Directors of the Parent Bank. Assessment process of internal capital requirement is handled as a developing process, action plans according to aforementioned policies and implementing procedures are formed and studies are in progress.

II. CONSOLIDATED CREDIT RISK

Credit risk is defined as the counterparty's possibility of failing to fulfil its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Parent Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analyzed based on the balance sheets and the income statements for the six-months periods (June and December) provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Bank has risk control limits on positions arising from forwards, options and similar derivative transaction positions, which effect credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

- the determination of credit risk policies in coordination with the Bank's other units,
- the determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,
- contribution to the formation of rating and scoring systems,
- submitting to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,
- studies regarding the formation of advanced credit risk measurement approaches.

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Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank's credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank's risk management concept, long term commitments are accepted more risky than short term commitments. Besides, risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries' financial conditions, customers and their operations.

The Bank classifies its past due and impaired receivables as shown below in accordance with the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside".

- for which recovery of principal and interest or both delays from their terms or due dates are more than ninety days but not more than one hundred eighty days are classified as "Group Three-Loans and Other Receivables With Limited Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one hundred and eighty days but not more one year are classified as "Group Four-Loans and Other Receivables With Suspicious Recovery",
- for which recovery of principal and interest or both delays from their terms or due dates are more than one year are classified as "Group Five-Loans and Other Receivables Having the Nature of Loss",

Regardless of the guarantees and pledges received, the Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, and 100% provision for the Loans and Other Receivables classified in Group Four and Group Five. The provision amount is recognized in profit and loss statement of the period.

The Group's largest 100 cash loan customers compose 21.73% of the total cash loan portfolio (31 December 2013: 19.34%).

The Group's largest 100 non-cash loan customers compose 56.59% of the total non-cash loan portfolio (31 December 2013: 60.75%).

The Group's largest 100 cash loan customers compose 14.09% of total assets of the Group's and the Group's largest 100 non-cash loan customers compose 17.47% of total off-balance sheet items (31 December 2013: 12.22% and 11.60%).

The Group's largest 200 cash loan customers compose 27.30% of the total cash loan portfolio (31 December 2013: 26.12%).

The Group's largest 200 non-cash loan customers compose 68.25% of the total non-cash loan portfolio (31 December 2013: 70.90%).

The Group's largest 200 cash loan customers compose 17.70% of total assets of the Group and the Group's largest 200 non-cash loan customers compose 21.07% of total off-balance sheet items (31 December 2013: 15.37% and 13.54%).

The general provision for credit risk amounts to TL 1,603,242 (31 December 2013: TL 1,190,739).

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Risk Classification:	Current Year Risk Amount	Average Risk Amount^(*)
Claims on sovereigns and Central Banks	52,348,682	47,375,472
Claims on regional governments or local authorities	2,990,873	2,407,535
Claims on administrative bodies and other non-commercial undertakings	1,053,325	764,673
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	16,770,100	14,357,255
Claims on corporate	51,793,913	46,819,372
Claims included in the regulatory retail portfolios	24,732,075	23,261,714
Claims secured by residential property	32,867,468	29,887,421
Past due loans	320,657	338,704
Higher risk categories decided by the Agency	12,635,218	11,653,113
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	5,656,295	5,007,540

(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2014 period.

Risk Classification:	Prior Year Risk Amount	Average Risk Amount^(*)
Claims on sovereigns and Central Banks	46,007,464	40,025,315
Claims on regional governments or local authorities	1,875,473	1,434,943
Claims on administrative bodies and other non-commercial undertakings	397,891	295,114
Claims on multilateral development banks	-	39
Claims on international organizations	-	-
Claims on banks and intermediary institutions	14,734,825	14,360,102
Claims on corporate	41,951,114	37,498,684
Claims included in the regulatory retail portfolios	23,828,096	22,368,631
Claims secured by residential property	25,190,180	24,102,576
Past due loans	369,026	340,524
Higher risk categories decided by the Agency	12,242,193	10,026,581
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	4,484,824	3,970,720

(*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2013 period.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Risk profile according to the geographical concentration (**)

Current Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Intermediate banks and institutions	Undertakings for collective investments in mutual funds	Other receivables	Total
Domestic	50,201,945	2,977,134	1,053,325	-	6,448,429	50,434,062	24,692,350	32,833,278	315,412	12,548,291	-	-	-	-	-	4,727,608	186,231,834
EU countries ⁽¹⁾	340,734	-	-	-	9,546,935	131,782	10,027	-	-	5,249	-	-	-	-	-	17,367	10,952,470
OECD countries	-	-	-	-	-	1,478	63	-	-	-	-	-	-	-	-	-	1,541
Off-shore banking regions	-	-	-	-	-	-	786	-	-	-	-	-	-	-	-	-	786
USA, Canada	1,805,983	13,739	-	-	676,493	1,049,673	29,698	34,190	-	-	-	-	-	-	-	-	3,609,776
Other countries	-	-	-	-	-	96,705	177,567	-	-	86,927	-	-	-	-	-	15	361,214
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,066
Undistributed Assets/Liabilities ^(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444,919
Total	52,248,682	2,990,873	1,053,325	-	16,770,100	51,793,913	24,732,075	32,867,468	320,657	12,635,218	-	-	-	-	-	5,656,295	201,168,606

(¹) EU countries, OECD countries except USA and Canada.

(**) The assets and liabilities that can not be distributed according to a consistent base.

(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

Risk profile according to the geographical concentration (***)

Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Intermediate banks and institutions	Undertakings for collective investments in mutual funds	Other receivables	Total
Domestic	43,829,826	1,871,310	397,891	-	6,607,901	40,352,024	23,820,150	25,190,180	366,212	11,931,127	-	-	-	-	-	4,457,583	156,783,604
EU countries ⁽¹⁾	334,625	-	-	-	9,658,866	89,063	6,842	-	-	2,814	-	-	-	-	-	16,491	10,108,701
OECD countries	-	-	-	-	-	54,938	4,923	-	-	-	-	-	-	-	-	-	59,916
Off-shore banking regions	-	-	-	-	-	-	1,780	-	-	-	-	-	-	-	-	-	1,780
USA, Canada	1,843,013	44,163	-	-	296,915	577,694	1,104	-	-	-	-	-	-	-	-	10,750	2,728,372
Other countries	-	-	-	-	-	50,866	925,630	-	-	311,066	-	-	-	-	-	-	1,332,449
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,264
Undistributed Assets/Liabilities ^(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444,919
Total	46,007,464	1,875,473	397,891	-	14,734,825	41,951,114	23,828,096	25,190,180	369,026	12,242,193	-	-	-	-	-	4,484,824	171,081,086

(¹) EU countries, OECD countries except USA and Canada.

(**) The assets and liabilities that can not be distributed according to a consistent base.

(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total	
Agricultural	91	38	189,639	-	-	953,400	383,982	403,997	-	4,691	-	-	-	-	-	-	1,380,714	555,124	1,935,838	
<i>Farming and raising livestock</i>	91	38	189,639	-	-	641,664	333,617	351,702	-	4,260	-	-	-	-	-	-	1,245,569	275,432	1,521,011	
<i>Forestry</i>	-	-	-	-	-	280,965	31,160	24,346	-	185	-	-	-	-	-	-	77,753	258,903	336,656	
<i>Fishing</i>	-	-	-	-	-	30,771	19,205	27,949	-	246	-	-	-	-	-	-	57,392	20,779	78,171	
Manufacturing	1,004,291	40	160,376	-	-	20,923,364	2,485,075	4,843,193	-	7,120	-	-	-	-	-	-	12,215,344	17,247,115	29,462,459	
<i>Mining</i>	-	-	4,643	-	-	420,910	94,155	323,949	-	68	-	-	-	-	-	-	453,468	390,257	843,725	
<i>Production</i>	1,004,291	11	153,725	-	-	14,152,137	2,351,669	4,361,948	-	6,924	-	-	-	-	-	-	10,279,250	11,751,455	22,030,705	
<i>Electric Gas Water</i>	29	2,008	-	-	-	6,389,317	39,251	157,296	-	128	-	-	-	-	-	-	1,482,636	5,105,403	6,588,039	
Construction	280	6	1	-	-	6,489,523	1,427,900	4,336,534	-	4,491	-	-	-	-	-	-	7,081,245	5,177,490	12,258,735	
Services	30,606,027	2,896,367	608,280	-	-	16,768,801	17,206,343	9,436,412	10,612,815	-	131,531	-	-	-	-	-	15	57,130,945	31,135,646	88,266,591
<i>Wholesale and retail trade</i>	279	125	286	-	-	6,995,957	5,387,275	6,508,686	-	29,082	-	-	-	-	-	-	14,053,533	4,868,157	18,921,690	
<i>Hotel, Food and Beverage Services</i>	9	6	78	-	-	1,352,147	296,071	1,545,078	-	2,885	-	-	-	-	-	-	1,016,690	2,179,584	3,196,274	
<i>Transportation and Telecommunication</i>	11	-	240,027	-	-	4,574,341	3,392,287	1,353,077	-	9,016	-	-	-	-	-	-	5,474,745	4,094,014	9,568,759	
<i>Financial Institutions</i>	30,478,929	-	69	-	-	16,768,801	2,997,595	34,796	457,626	87,390	-	-	-	-	-	-	31,915,393	18,909,828	50,825,221	
<i>Real Estate and renting services</i>	-	-	3	-	-	453,929	73,037	138,421	-	1,138	-	-	-	-	-	-	423,039	243,489	666,528	
<i>Self-employment services</i>	-	-	3,786	-	-	643	-	-	-	-	-	-	-	-	-	-	4,429	-	4,429	
<i>Education services</i>	74	4	5,067	-	-	205,181	49,412	237,724	-	522	-	-	-	-	-	-	437,031	60,953	497,984	
<i>Health and social services</i>	126,725	2,896,232	358,964	-	-	626,550	203,534	372,203	-	1,498	-	-	-	-	-	-	3,806,085	779,621	4,585,706	
Other	20,737,993	94,422	95,029	-	-	1,299	6,182,283	10,998,706	12,670,929	320,657	12,487,385	-	-	-	-	-	47,251,620	21,993,363	69,244,983	
Total	52,348,682	2,990,873	1,053,325	-	-	16,770,100	51,793,913	24,732,075	32,867,468	320,657	12,635,218	-	-	-	-	-	5,656,280	125,059,868	76,108,738	201,168,606

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1-Claims on sovereigns and Central Banks
- 2-Claims on regional governments or local authorities
- 3-Claims on administrative bodies and other non-commercial undertakings
- 4-Claims on multilateral development banks
- 5-Claims on international organizations
- 6-Claims on banks and intermediary institutions
- 7-Claims on corporates
- 8-Claims included in the regulatory retail portfolios
- 9-Claims secured by residential property
- 10-Past due loans
- 11-Higher risk categories decided by the Board
- 12-Secured by mortgages
- 13-Securitization positions
- 14-Short-term claims and short term corporate claims on banks and intermediary institutions
- 15-Undertakings for collective investments in mutual funds
- 16-Other receivables

FINANCIAL HIGHLIGHTS AND RISK MANAGEMENT

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR 31 DECEMBER 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total	
Agricultural	44	27	15,451	-	-	-	1,028,213	341,284	285,059	-	-	-	-	-	-	-	1,176,593	493,485	1,670,078	
Farming and raising livestock	44	27	15,451	-	-	-	698,299	290,686	245,858	-	-	-	-	-	-	-	1,050,943	199,422	1,250,365	
Forestry	-	-	-	-	-	-	305,169	30,431	17,202	-	-	-	-	-	-	-	68,506	284,296	352,802	
Fishing	-	-	-	-	-	-	24,745	20,167	21,999	-	-	-	-	-	-	-	57,144	9,767	66,911	
Manufacturing	-	41	64,494	-	-	-	19,241,198	2,025,549	4,023,585	-	-	-	-	-	-	-	11,803,512	13,551,355	25,354,867	
Mining	-	-	19	-	-	-	379,666	67,858	353,435	-	-	-	-	-	-	-	404,441	396,537	800,978	
Production	-	21	64,473	-	-	-	13,080,905	1,911,916	3,576,549	-	-	-	-	-	-	-	9,545,747	9,088,117	18,633,864	
Electric Gas Water	-	20	2	-	-	-	5,780,627	45,775	93,601	-	-	-	-	-	-	-	1,853,324	4,066,701	5,920,025	
Construction	269	-	-	-	-	-	5,175,729	1,065,212	3,217,084	-	-	-	-	-	-	-	5,823,846	3,634,448	9,458,294	
Services	20,252,098	1,815,365	207,709	-	-	-	14,731,563	13,245,215	7,890,421	8,033,589	311,066	-	-	-	-	-	28,080,373	38,406,653	66,487,026	
Wholesale and retail trade	61	134	6,612	-	-	-	6,014,793	4,412,772	4,892,942	-	-	-	-	-	-	-	11,545,379	3,781,935	15,327,314	
Hotel, Food and Beverage Services	5	7	5	-	-	-	479,470	22,191	1,300,888	-	-	-	-	-	-	-	842,619	1,158,947	2,001,566	
Transportation and telecommunication	13	14,781	-	-	-	-	3,561,902	2,975,620	981,639	-	-	-	-	-	-	-	4,720,729	2,813,226	7,533,955	
Financial institutions	20,106,980	44,163	20	-	-	-	14,731,563	2,215,700	24,861	379,064	311,066	-	-	-	-	-	7,902,589	29,910,828	37,813,417	
Real Estate and renting services	-	-	-	-	-	-	298,988	57,917	87,625	-	-	-	-	-	-	-	322,441	122,089	444,530	
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education services	52	6	3,870	-	-	-	167,569	37,174	148,115	-	-	-	-	-	-	-	264,947	91,839	356,786	
Health and social services	144,987	1,771,055	182,421	-	-	-	506,793	160,886	243,316	-	-	-	-	-	-	-	2,481,669	52,789	3,009,458	
Other	25,755,053	60,040	110,237	-	-	-	3,262	3,260,759	12,505,630	9,630,863	369,026	11,931,127	-	-	-	-	4,484,824	61,436,003	6,674,818	
Total	46,007,464	1,875,473	397,891	-	-	-	14,734,825	41,951,114	23,828,096	25,190,180	369,026	12,242,193	-	-	-	-	4,484,824	108,320,327	62,760,759	171,081,086

(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1-Claims on sovereigns and Central Banks
- 2-Claims on regional governments or local authorities
- 3-Claims on administrative bodies and other non-commercial undertakings
- 4-Claims on multilateral development banks
- 5-Claims on international organizations
- 6-Claims on banks and intermediary institutions
- 7-Claims on corporates
- 8-Claims included in the regulatory retail portfolios
- 9-Claims secured by residential property
- 10-Past due loans
- 11-Higher risk categories decided by the Board
- 12-Secured by mortgages
- 13-Securitization positions
- 14-Short-term claims and short term corporate claims on banks and intermediary institutions
- 15-Undertakings for collective investments in mutual funds
- 16-Other receivables

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Distribution of maturity risk factors according to their outstanding maturities ^(*)

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	5,166,678	644,411	1,150,586	818,234	44,568,773
Claims on regional governments or local authorities	9,500	4,726	23,639	55,293	2,897,715
Claims on administrative bodies and other non-commercial undertakings	22,755	32,027	62,029	222,500	714,014
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	12,879,070	968,574	595,254	177,196	2,150,006
Claims on corporate	2,979,211	3,438,786	4,298,690	9,180,010	31,897,216
Claims included in the regulatory retail portfolios	494,763	960,696	1,649,708	4,178,296	17,448,612
Claims secured by residential property	573,828	1,048,581	1,696,829	4,030,103	25,518,127
Past due loans	-	-	-	-	320,657
Higher risk categories decided by the Agency	-	-	-	14,320	12,620,898
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	17,687	-	-	-	5,638,608
Total	22,143,492	7,097,801	9,476,735	18,675,952	143,774,626

^(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
Claims on sovereigns and Central Banks	25,327,729	1,084,480	1,573,671	1,190,052	16,831,535
Claims on regional governments or local authorities	3,985	10,989	11,665	38,725	1,810,109
Claims on administrative bodies and other non-commercial undertakings	8,905	36,099	33,520	59,274	260,093
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	10,438,857	2,263,698	29,910	224,655	1,777,704
Claims on corporate	2,038,480	2,793,254	4,745,761	6,451,829	25,921,790
Claims included in the regulatory retail portfolios	5,201,219	804,180	1,417,287	3,166,963	13,238,447
Claims secured by residential property	737,553	744,859	1,356,481	2,717,731	19,633,556
Past due loans	-	-	-	-	369,026
Higher risk categories decided by the Agency	311,066	-	-	-	11,931,127
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	1,209,331	-	-	-	3,275,491
Total	45,277,125	7,737,559	9,168,295	13,849,229	95,048,878

^(*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS AT AND

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Risk balances according to risk weights

Risk Weights

Current Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk											
Mitigation	48,195,850	-	17,821,331	38,592,192	23,546,411	60,377,604	2,990,704	9,446,254	198,260	-	382,261
Amount after Credit Risk											
Mitigation	55,620,001	-	11,639,035	38,668,549	23,382,850	59,238,068	2,986,884	9,434,959	198,260	-	382,261

Risk Weights

Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk											
Mitigation	43,212,553	-	12,616,773	31,759,507	22,337,583	48,912,477	2,837,152	9,393,300	11,741	-	478,634
Amount after Credit Risk											
Mitigation	50,426,927	-	7,739,899	29,955,165	22,234,970	48,481,932	2,837,152	9,393,300	11,741	-	478,634

In determination of counterparty credit risk of the receivables from Banks operated abroad, ratings given by International Credit Rating Agency Fitch Rating are considered. Rating of the same company is also used in the assessment of risks from foreign currency investment securities issued by Turkish Treasury and other foreign currency risks associated with Central Administration of Turkish Republic.

Ratings Matched	Credit Quality Rank	Fitch
Long Term Credit Ratings	1	AAA between AA-
	2	A+ between A-
	3	BBB+ between BBB-
	4	BB+ between BB-
	5	B+ between B-
	6	CCC+ and below
Short Term Credit Ratings	1	F1+ between F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information According to Sectors and Counterparties

Current Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments	Provisions
Agricultural	84,649	33,519	806	82,268
<i>Farming and raising livestock</i>	73,386	29,466	632	71,369
<i>Forestry</i>	7,255	1,271	90	6,917
<i>Fishing</i>	4,008	2,782	84	3,982
Manufacturing	943,578	281,898	11,181	860,342
<i>Mining</i>	62,492	7,706	3,240	36,654
<i>Production</i>	875,924	269,229	7,900	818,873
<i>Electric, gas, water</i>	5,162	4,963	41	4,815
Construction	454,112	179,450	5,530	426,444
Services	1,359,276	1,291,693	29,871	1,258,092
<i>Wholesale and retail trade</i>	824,331	602,209	15,099	759,894
<i>Hotel, food and beverage services</i>	58,144	78,793	1,445	55,388
<i>Transportation and telecommunication</i>	280,028	433,429	9,073	261,312
<i>Financial institutions</i>	9,659	2,999	78	8,930
<i>Real estate and renting services</i>	44,923	11,288	234	41,194
<i>Self-employment services</i>	109,543	121,114	3,041	101,835
<i>Education services</i>	6,838	9,717	170	4,814
<i>Health and social services</i>	25,810	32,144	731	24,725
Other	1,340,350	1,983,307	79,209	1,234,162
Total	4,181,965	3,769,867	126,597	3,861,308

(*) Impaired loans are composed of group three, four and five loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

Prior Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments	Provisions
Agricultural	75,172	51,378	1,497	70,726
<i>Farming and raising livestock</i>	62,099	48,035	1,400	58,484
<i>Forestry</i>	7,558	1,962	57	7,334
<i>Fishing</i>	5,515	1,381	40	4,908
Manufacturing	948,934	276,153	8,020	917,512
<i>Mining</i>	33,748	9,924	289	33,576
<i>Production</i>	910,917	261,267	7,586	879,785
<i>Electric, gas, water</i>	4,269	4,962	145	4,151
Construction	381,103	185,365	5,403	355,654
Services	1,262,929	1,230,240	35,465	1,053,037
<i>Wholesale and retail trade</i>	631,355	543,052	15,667	568,983
<i>Hotel, food and beverage services</i>	49,015	103,594	3,013	36,506
<i>Transportation and telecommunication</i>	257,698	408,123	11,775	244,731
<i>Financial institutions</i>	192,581	3,154	92	81,955
<i>Real estate and renting services</i>	8,987	11,068	261	8,529
<i>Self-employment services</i>	92,457	123,479	3,599	84,677
<i>Education services</i>	4,510	10,525	264	3,426
<i>Health and social services</i>	26,326	27,245	794	24,230
Other	1,068,327	1,927,131	54,652	970,524
Total	3,736,465	3,670,267	105,037	3,367,453

(*) Impaired loans are composed of group three, four and five loans.

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days.

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Current Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Close out Balance
Specific Provisions	3,367,453	1,187,948	(693,538)	(555)	3,861,308
General Provisions	1,190,739	412,503	-	-	1,603,242

^(*) Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

Prior Period	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Close out Balance
Specific Provisions	2,509,028	1,306,590	(450,491)	2,326	3,367,453
General Provisions	956,059	234,417	-	263	1,190,739

^(*) Determined according to exchange rate differences, business combinations, acquisitions and disposals of subsidiaries.

Fair value of collateral held against impaired loans

	31 December 2014	31 December 2013
Cash collateral ^(*)	-	-
Mortgage	1,167,532	942,878
Promissory note ^(*)	-	728
Others ^(**)	3,014,433	2,792,859
Total	4,181,965	3,736,465

^(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

^(**) Sureties obtained for impaired loans are presented in this row to the extent that the amount does not exceed the amount of impaired loans.

The detail of collateral held against performing cash and non-cash loans by the Bank

Cash loans	31 December 2014	31 December 2013
Secured Loans:	79,129,908	63,997,120
Secured by mortgages	32,448,892	18,440,959
Secured by cash collateral	685,094	384,250
Guarantees issued by financial institutions	94,207	185,832
Secured by government institutions or government securities	930,621	210,041
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	44,971,094	44,776,038
Unsecured Loans	28,505,474	25,339,591
Total performing loans	107,635,382	89,336,711

Non-cash loans	31 December 2014	31 December 2013
Secured Loans:	12,534,623	10,559,371
Secured by mortgages	1,092,714	679,079
Secured by cash collateral	383,649	85,525
Guarantees issued by financial institutions	-	5,700
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	11,058,260	9,789,067
Unsecured Loans	16,140,424	12,847,335
Total non-cash loans	28,675,047	23,406,706

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III. CONSOLIDATED MARKET RISK

The Parent Bank calculates market risk using standard method and allocates legal capital in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

In addition to the standard method, the Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank's assets and liabilities is calculated.

The market risk analysis of the Bank is reported monthly and sent to the related regulatory institutions.

Value at market risk

	Current Period	Prior Period
(I) Capital to be employed for general market risk	16,249	15,935
(II) Capital to be employed for specific risk	1,893	2,434
Capital to be employed for specific risk in securitisation positions-Standard Method	-	-
(III) Capital to be employed for currency risk	36,815	33,174
(IV) Capital to be employed for stocks	-	-
(V) Capital to be employed for clearing risk	-	-
(VI) Total capital to be employed for market risk because of options	234	-
(VII) Capital to be employed for counterparty credit risk-Standard Method	8,733	7,438
(VIII) Capital to be employed for general market risk	-	-
(IX) Total capital to be employed for market risk (I+II+III+IV+V+VI)	63,924	58,981
(X) Amount subject to market risk (12.5 x VIII) or (12.5 x IX)	799,050	737,263

Average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	13,531	16,953	11,352	14,166	18,276	9,186
Common Share Risk	1,895	6,896	759	2,832	4,374	2,147
Currency Risk	30,771	44,194	15,679	45,869	70,042	32,732
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	1,677	3,804	42	-	-	-
Counterparty Credit Risk	9,912	11,892	8,464	5,059	7,439	2,651
Total Value at Risk	722,326	917,761	514,258	849,071	1,251,643	583,950

Information on Counterparty Credit Risk

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

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In calculation of the counterparty credit risk "Valuation Method on the Basis of Fair Value" is implemented in the scope of "Regulation on Calculation and Assessment of Capital Adequacy of the Banks". The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the regulation.

Information about counterparty risk

	Current Period ^(*)	Prior Period ^(*)
Contracts based on Interest rate	66,091	22,552
Contracts based on currency	100,177	110,432
Contracts based on commodity	-	-
Contracts based on stocks	-	10
Other	-	-
Gross Positive Fair Value	166,268	132,994
Benefits of clarification	-	-
Clarified current risk amount	-	-
The securities which are held	-	-
The net position of derivatives	166,268	132,994

^(*) Counterparty risk related on held for trading accounts is presented.

IV. CONSOLIDATED OPERATIONAL RISK

The Bank calculated the value at operational risk in accordance with the third section of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" that is "Computation of Value of Operational Risk" published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Bank is exposed to is calculated according to the "Basic Indicator Method" hence by multiplying the average of the last three years' actual gross income with 12.5, in line with the effective legislation practices in the country.

Current Period	31 December 2011	31 December 2012	31 December 2013	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,265,465	5,215,105	5,893,893	5,124,821	15	768,723
Amount subject to operational risk (Total*12,5)						9,609,040

Prior Period	31 December 2010	31 December 2011	31 December 2012	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,371,279	4,917,176	6,009,190	3	15	764,882
Amount subject to operational risk (Total*12,5)						9,561,025

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V. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Parent Bank is exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Parent Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives

As at 31 December 2014 and 31 December 2013, the Group does not have derivate financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Parent Bank has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Parent Bank. The effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

	US Dollar	Euro
The Bank's foreign currency purchase rate at the balance sheet date	2.3200	2.8223
Foreign currency rates for the days before balance sheet date;		
Day 1	2.2700	2.7542
Day 2	2.2900	2.7922
Day 3	2.2700	2.7721
Day 4	2.2700	2.7735
Day 5	2.2700	2.7635
Last 30-days arithmetical average rate	2.2265	2.7516

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Information on currency risk

Current Period	Euro	US Dollar	Other FCs	Total Assets:
Cash and balances with the Central Bank of Turkey	1,956,881	11,525,520	4,282,312	17,764,713
Banks	313,372	2,398,210	71,948	2,783,530
Financial assets at fair value through profit or loss ⁽¹⁾	4,432	34,669	-	39,101
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,260,694	2,978,550	-	4,239,244
Loans and receivables ⁽²⁾	10,138,487	22,215,257	28,331	32,382,075
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	92,844	-	92,844
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	630	1,372	-	2,002
Intangible assets	50	111	-	161
Other assets ^{(3) (4)}	601,458	1,036,568	63,821	1,701,847
Total assets	14,276,007	40,283,101	4,446,412	59,005,520
Liabilities:				
Bank deposits	514,839	2,770,137	16,518	3,301,494
Foreign currency deposits	11,569,098	12,439,338	948,582	24,957,018
Interbank money market takings	-	6,591,668	-	6,591,668
Funds borrowed ⁽⁵⁾	5,692,578	9,064,674	2,640	14,759,892
Securities issued	1,444,730	6,073,635	-	7,518,365
Miscellaneous payables	220,837	159,250	43,713	423,800
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ^{(1) (4) (6)}	46,977	3,083,148	1,608	3,131,733
Total liabilities	19,489,059	40,181,850	1,013,061	60,683,970
Net 'on balance sheet' position	(5,213,052)	101,251	3,433,351	(1,678,450)
Net 'off-balance sheet' position	5,456,748	346,269	(3,430,091)	2,372,926
Derivative assets ⁽⁷⁾	7,545,021	8,766,209	1,377,221	17,688,451
Derivative liabilities ⁽⁷⁾	2,088,273	8,419,940	4,807,312	15,315,525
Non-cash loans ⁽⁸⁾	2,217,630	9,304,139	260,328	11,782,097
Prior Period	Euro	US Dollar	Other FCs	Total
Total assets	17,020,004	30,974,381	3,884,587	51,878,972
Total liabilities	17,625,568	31,624,925	1,193,432	50,443,925
Net on balance sheet position	(605,564)	(650,544)	2,691,155	1,435,047
Net off-balance sheet position	749,672	778,864	(2,701,033)	(1,172,497)
Derivative assets ⁽⁶⁾	2,031,264	8,258,319	1,437,036	11,726,619
Derivative liabilities ⁽⁶⁾	1,281,592	7,479,455	4,138,069	12,899,116
Non-cash loans ⁽⁷⁾	1,539,590	7,179,775	347,230	9,066,595

⁽¹⁾ Derivative financial assets amounting to TL 6,468 (31 December 2013: TL 60,278) and liabilities amounting to TL 122,358 (31 December 2013: TL 38,006) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 2,750,602 (31 December 2013: TL 2,548,480) presented in TL in the financial statements are included in the above table.

⁽³⁾ Foreign currency indexed factoring receivables amounted to TL 65,320 (31 December 2013: TL 9,074) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁴⁾ Prepaid expenses amounting to TL 60,637 (31 December 2013: TL 33,376) and deferred tax liabilities amounting to TL 7,390 (31 December 2013: None) are not included. Equities amounting to 553,581 TL (31 December 2013: TL 380,556) are not included.

⁽⁵⁾ Foreign currency indexed funds borrowed amounted to TL 68,860 (31 December 2013: TL 1,914) presented in TL column in the accompanying consolidated balance sheet are included.

⁽⁶⁾ Unearned income amounting to TL 51,232 (31 December 2013: TL 37,464) are not included.

⁽⁷⁾ Asset purchase commitments amounting to TL 1,327,706 (31 December 2013: TL 1,716,683), asset sales commitments amounting to TL 1,312,928 (31 December 2013: TL 1,919,728) and gold purchase swaps amounting to TL 4,773,860 (31 December 2013: TL 3,961,577) are included.

⁽⁸⁾ Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the year ended 31 December 2014 and 2013 would affect consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2014		31 December 2013	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	44,604	44,604	12,639	12,639
EUR	(803)	35,515	(16,023)	(16,023)
Other currencies	326	326	(988)	(988)
Total, net	44,127	80,445	(4,372)	(4,372)

^(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

10 percent revaluation of the TL against the following currencies as at and for the year ended 31 December 2014 and 2013 would affect consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2014		31 December 2013	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(43,109)	(43,109)	(12,639)	(12,639)
Euro	803	(35,515)	16,023	16,023
Other currencies	(100)	(100)	988	988
Total, net	(42,406)	(78,724)	4,372	4,372

^(*) Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

VI. CONSOLIDATED INTEREST RATE RISK

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

The Parent Bank's interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (based on re-pricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and balances with CBT	3,055,551	-	-	-	-	18,835,530	21,891,081
Banks	2,983,521	214,751	6,290	-	-	363,946	3,568,508
Financial assets at fair value through profit/loss	172,007	207,100	7,569	33,427	25,905	4,233	450,241
Interbank money market placements	9,504	-	-	-	-	-	9,504
Available-for-sale financial assets	2,666,118	2,035,297	5,241,522	4,305,279	2,622,884	15	16,871,115
Loans and receivables	33,476,465	22,448,303	21,987,427	17,768,042	10,356,537	318,897	106,355,671
Held-to-maturity investments	281,186	1,559,200	3,180,566	290,780	1,542,861	-	6,854,593
Other assets ⁽¹⁾	65,719	315,931	170,248	853,884	243,339	5,901,628	7,550,749
Total assets	42,710,071	26,780,582	30,593,622	23,251,412	14,791,526	25,424,249	163,551,462
Liabilities:							
Bank deposits	4,208,236	452,338	22,912	-	-	66,930	4,750,416
Other deposits	45,030,713	19,282,775	6,861,948	709,033	18,322	16,749,406	88,652,197
Interbank money market takings	15,846,751	253,389	349,241	-	205,860	-	16,655,241
Miscellaneous payables	-	-	-	-	-	3,344,419	3,344,419
Securities issued	718,111	2,146,929	2,579,188	4,940,480	-	-	10,384,708
Funds borrowed	4,063,185	7,002,553	3,733,893	717,541	743,483	-	16,260,655
Other liabilities ⁽²⁾	147,979	23,050	132,524	464,387	1,649,212	21,086,674	23,503,826
Total liabilities	70,014,975	29,161,034	13,679,706	6,831,441	2,616,877	41,247,429	163,551,462
On balance sheet long position	-	-	16,913,916	16,419,971	12,174,649	-	45,508,536
On balance sheet short position	(27,304,904)	(2,380,452)	-	-	-	(15,823,180)	(45,508,536)
Off-balance sheet long position	658,387	1,660,268	-	-	-	-	2,318,655
Off-balance sheet short position	-	-	-	(1,304,201)	(777,200)	-	(2,081,401)
Position, Net	(26,646,517)	(720,184)	16,913,916	15,115,770	11,397,449	(15,823,180)	237,254

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
Cash and balances with CBT	-	-	-	-	-	18,975,182	18,975,182
Banks	2,215,980	182,222	2,239	-	-	757,910	3,158,351
Financial assets at fair value through profit/loss	240,057	245,314	141,141	24,050	2,034	3,023	655,619
Interbank money market placements	5,095	-	-	-	-	-	5,095
Available-for-sale financial assets	5,352,344	2,440,347	2,697,991	3,296,050	2,857,302	13,375	16,657,409
Loans and receivables	26,238,283	19,283,647	17,078,087	16,099,655	9,604,374	369,012	88,673,058
Held-to-maturity investments	914,868	427,664	2,022,196	495,822	1,552,621	-	5,413,171
Other assets ⁽¹⁾	49,138	161,056	230,216	679,202	10,000	5,120,085	6,249,697
Total assets	35,015,765	22,740,250	22,171,870	20,594,779	14,026,331	25,238,587	139,787,582
Liabilities:							
Bank deposits	3,105,830	869,432	103,153	-	-	25,537	4,103,952
Other deposits	38,796,173	19,294,057	6,040,869	898,335	26,140	13,879,873	78,935,447
Interbank money market takings	12,723,139	237,295	1,005,685	809,269	-	-	14,775,388
Miscellaneous payables	-	-	-	-	-	2,841,068	2,841,068
Securities issued	401,593	1,427,439	1,726,683	3,265,020	-	-	6,820,735
Funds borrowed	681,189	4,553,844	5,637,765	691,124	721,739	-	12,285,661
Other liabilities ⁽²⁾	124,797	17,333	141,104	410,218	1,493,102	17,838,777	20,025,331
Total liabilities	55,832,721	26,399,400	14,655,259	6,073,966	2,240,981	34,585,255	139,787,582
On balance sheet long position	-	-	7,516,611	14,520,813	11,785,350	-	33,822,774
On balance sheet short position	(20,816,956)	(3,659,150)	-	-	-	(9,346,668)	(33,822,774)
Off-balance sheet long position	545,993	1,482,402	-	-	-	-	2,028,395
Off-balance sheet short position	-	-	(77,250)	(979,931)	(695,500)	-	(1,752,681)
Position, Net	(20,270,963)	(2,176,748)	7,439,361	13,540,882	11,089,850	(9,346,668)	275,714

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets are stated in non-interest bearing column.⁽²⁾ Equity is included in non-interest bearing column in other liabilities line.

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Average interest rates applied to monetary financial instruments:

Current Period	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	1.51
Banks	0.70	0.28	-	10.59
Financial assets at fair value through profit/loss	5.50	11.78	-	11.45
Interbank money market placements	-	-	-	10.33
Available-for-sale financial assets	4.27	6.89	-	7.19
Loans and receivables	4.19	5.39	-	12.70
Held-to-maturity investments	-	1.58	-	5.56
Liabilities:				
Bank deposits	0.66	0.42	-	8.59
Other deposits	1.98	2.13	-	9.22
Interbank money market takings	-	0.95	-	9.83
Miscellaneous payables	-	-	-	-
Securities issued	3.47	3.45	-	9.06
Funds borrowed	1.13	1.67	-	8.44
Prior Period				
	Euro	US Dollar	Japanese Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBT	-	-	-	-
Banks	0.10	0.35	-	9.43
Financial assets at fair value through profit/loss	5.26	7.21	-	10.11
Interbank money market placements	-	-	-	7.35
Available-for-sale financial assets	5.04	7.05	-	7.58
Loans and receivables	5.17	6.88	-	13.49
Held-to-maturity investments	6.50	3.31	-	6.83
Liabilities:				
Bank deposits	1.00	0.71	-	8.21
Other deposits	2.71	2.51	-	8.16
Interbank money market takings	0.37	1.19	-	7.62
Miscellaneous payables	-	-	-	-
Securities issued	1.53	4.06	-	8.74
Funds borrowed	1.19	1.66	-	8.26

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The Interest Rate Risk of the Banking Book Items

Measurement Frequency of Interest Rate Risk

Interest rate risk arising from banking book accounts is calculated in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to "Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique" are presented in the below table:

Currency Unit-Current Period	Applied Shock (+/-x base point)	Gain/Loss	Gain/Equity-Loss/Equity
1. TL	500/(400)	(2,440,546)/2,452,172	(13.54%)/13.61%
2. EURO	200/(200)	178,773/(9,440)	0.99%/(0.05%)
3. USD	200/(200)	441,639/(383,071)	2.45%/(2.13%)
Total (For Negative Shocks)	-	2,059,661	11.43%
Total (For Positive Shocks)	-	(1,820,134)	(10.10%)

Currency Unit-Prior Period	Applied Shock (+/-x base point)	Gain/Loss	Gain/Equity-Loss/Equity
1. TL	500/(400)	(2,412,990)/2,441,246	(15.89%)/16.08%
2. EURO	200/(200)	34,736/10,115	0.23%/0.07%
3. USD	200/(200)	457,473/(383,076)	3.01%/(2.52%)
Total (For Negative Shocks)	-	2,068,285	13.63%
Total (For Positive Shocks)	-	(1,920,781)	(12.65%)

The above table is obtained from unconsolidated 31 December 2014 audit report announced at Public Disclosure Platform.

Stock position risks arising from banking book items:

Information on separations of risks according to objectives including their relation with gains presented under equity and strategically reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes

If carrying value is substantially different from fair value and for publicly traded shares if market value is substantially different from fair value, the comparison with the market prices are shown in the table below:

Current Period	Comparison		
	Carrying Value	Fair Value	Market Value
Stock Investments			
Stocks quoted in exchange^(*)	203,092	203,092	203,092
1.Stocks Investments Group A	203,092	203,092	203,092
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange^(**)	320,037	320,037	-

(*) The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

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Prior Period	Comparison		
	Carrying Value	Fair Value	Market Value
Stock Investments			
Stocks quoted in exchange⁽¹⁾	169,019	169,019	169,019
1.Stocks Investments Group A	169,019	169,019	169,019
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
Stocks unquoted in exchange⁽²⁾	282,457	282,457	-

⁽¹⁾ The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

⁽²⁾ The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

Total unrealized gain or loss, total revaluation surplus and values included to principal and supplementary capital

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total ⁽¹⁾	Included in Core Capital	Total ⁽¹⁾	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	62,289	62,289	-	-	-
4. Total	-	62,289	62,289	-	-	-

⁽¹⁾ Amounts are presented including the effect of deferred tax.

Portfolio-Prior Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total ⁽¹⁾	Included in Supplementary Capital	Total ⁽¹⁾	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	52,966	23,835	-	-	-
4. Total	-	52,966	23,835	-	-	-

⁽¹⁾ Amounts are presented including the effect of deferred tax.

VII. CONSOLIDATED LIQUIDITY RISK

In order to avoid the liquidity risk, the Parent Bank diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Parent Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions, and transactions and international bond issues. There are no significant idle liquidity resources.

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Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Undistributed ⁽¹⁾	Total
Assets:								
Cash and balance with CBT	18,835,530	3,055,551	-	-	-	-	-	21,891,081
Banks	2,198,504	1,148,963	214,751	6,290	-	-	-	3,568,508
Financial assets at fair value through profit/loss	2,950	70,737	84,570	9,113	255,401	25,905	1,565	450,241
Interbank money market placements	-	9,504	-	-	-	-	-	9,504
Available-for-sale financial assets	-	29,371	645,444	1,803,189	7,398,060	6,995,038	13	16,871,115
Loans and receivables	40,128	9,773,868	3,824,348	19,428,665	47,901,560	25,066,445	320,657	106,355,671
Held-to-maturity investments	-	-	92,844	202,211	1,509,417	5,050,121	-	6,854,593
Other assets	19,911	932,553	315,999	170,140	1,027,278	243,339	4,841,529	7,550,749
Total assets	21,097,023	15,020,547	5,177,956	21,619,608	58,091,716	37,380,848	5,163,764	163,551,462
Liabilities:								
Bank deposits	66,930	4,208,236	452,338	22,912	-	-	-	4,750,416
Other deposits	16,987,878	44,846,167	19,189,726	6,895,394	714,710	18,322	-	88,652,197
Funds borrowed	-	1,504,848	1,084,623	6,685,709	3,217,960	3,767,515	-	16,260,655
Interbank money market takings	-	15,846,751	253,389	349,241	-	205,860	-	16,655,241
Securities issued	-	717,590	2,146,764	2,358,634	5,161,720	-	-	10,384,708
Miscellaneous payables	-	2,728,303	56,620	-	-	-	559,496	3,344,419
Other liabilities	7	613,107	286,296	39,004	44,089	2,211,860	20,309,463	23,503,826
Total liabilities	17,054,815	70,465,002	23,469,756	16,350,894	9,138,479	6,203,557	20,868,959	163,551,462
Liquidity (Gap)/Surplus	4,042,208	(55,444,455)	(18,291,800)	5,268,714	48,953,237	31,177,291	(15,705,195)	-
Prior Period								
Total assets	21,531,041	11,683,161	4,958,498	18,641,641	49,590,632	28,935,212	4,447,397	139,787,582
Total liabilities	13,905,410	58,253,310	22,785,926	15,351,609	7,902,712	3,932,345	17,656,270	139,787,582
Liquidity (Gap)/Surplus	7,625,631	(46,570,149)	(17,827,428)	3,290,032	41,687,920	25,002,867	(13,208,873)	-

⁽¹⁾ Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash on short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and equity are included in this column.

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Residual contractual maturities of monetary liabilities

Current period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,750,416	4,753,361	66,930	4,209,000	453,419	24,012	-	-
Other deposits	88,652,197	89,212,248	16,987,878	44,972,317	19,393,564	7,074,231	762,575	21,683
Funds borrowed	16,260,655	17,263,830	-	1,511,280	1,092,397	6,771,654	3,519,833	4,368,666
Money market takings	16,655,241	16,667,205	-	15,854,923	253,874	351,133	-	207,275
Securities issued	10,384,708	11,236,567	-	713,864	2,166,332	2,401,993	5,954,378	-
Miscellaneous payables	3,344,419	3,344,419	559,496	2,728,303	56,620	-	-	-
Other liabilities	3,614,846	4,564,538	909,478	398,121	38,123	15,223	43,890	3,159,703
Total	143,662,482	147,042,168	18,523,782	70,387,808	23,454,329	16,638,246	10,280,676	7,757,327
Non-Cash Loans	28,675,047	28,675,047	243,079	835,912	16,443,803	6,930,286	3,538,426	683,541

Prior period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	4,103,952	4,114,689	25,538	3,107,386	876,802	104,963	-	-
Other deposits	78,935,447	79,485,635	13,879,873	38,895,639	19,480,650	6,216,492	981,498	31,483
Funds borrowed	12,285,661	12,992,694	-	362,195	822,749	6,412,167	2,591,033	2,804,550
Money market takings	14,775,388	14,801,868	-	12,726,351	237,537	1,011,566	826,414	-
Securities issued	6,820,735	7,572,794	-	400,920	1,436,319	1,775,217	3,960,338	-
Miscellaneous payables	2,841,068	2,841,068	282,397	2,408,857	115,277	33,169	1,368	-
Other liabilities	3,401,687	4,391,985	992,300	295,469	15,496	147,863	516,347	2,424,510
Total	123,163,938	126,200,733	15,180,108	58,196,817	22,984,830	15,701,437	8,876,998	5,260,543
Non-Cash Loans	23,406,706	23,406,706	264,268	370,339	13,670,929	5,657,505	2,788,347	655,318

This table shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturities. Therefore, the gross nominal outflows in the table above vary from the carrying amounts of the relevant financial liabilities reflected in the consolidated financial statements.

Securitisation Positions

None.

Credit risk mitigation techniques

"Basic Financial Guarantee" method is used for the financial guarantees in accordance with "Communique on Credit Risk Mitigation". Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

Applications on guarantees' valuation and method

Policies on the valuation of financial guarantees and their evaluation and valuation of immovables that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with "Communique on Credit Risk Mitigation" and include minimum conditions regarding guarantee valuation and management.

Types of main guarantees received

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

Main guarantors, credit derivatives' counterparties and their credit worthiness

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

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Information about market and credit risk concentration in credit risk mitigation

Market risk and credit risk concentrations are carefully avoided.

Information about guarantees according to risk classifications

Information about guarantees according to risk classifications is shown in the table below:

Risk Classification-Current Period	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	52,348,682	4,810,208	-	-
Claims on regional governments or local authorities	2,990,873	19,276	-	-
Claims on administrative bodies and other non-commercial undertakings	1,053,325	63,400	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	16,770,100	7,032,378	-	-
Claims on corporates	51,793,913	514,692	-	634,888
Claims included in the regulatory retail portfolios	24,732,075	199,482	-	-
Claims secured by residential property	32,867,468	-	-	-
Past due loans	320,657	-	-	-
Higher risk categories decided by the Agency	12,635,218	15,115	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	5,656,295	-	-	-
Total	201,168,606	12,654,551	-	634,888

Risk Classification-Prior Period	Amount	Financial Guarantees	Other/Physical Guarantees	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	46,007,464	4,283,181	-	-
Claims on regional governments or local authorities	1,875,473	18,209	-	-
Claims on administrative bodies and other non-commercial undertakings	397,891	48,355	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	14,734,825	6,664,579	-	-
Claims on corporates	41,951,114	449,994	-	-
Claims included in the regulatory retail portfolios	23,828,096	117,634	-	-
Claims secured by residential property	25,190,180	-	-	-
Past due loans	369,026	-	-	-
Higher risk categories decided by the Agency	12,242,193	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	4,484,824	-	-	-
Total	171,081,086	11,581,952	-	-

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Risk management strategies and policies

Risk management strategies are determined so as to support the Parent Bank's objectives and goals and maintain Parent Bank's presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Parent Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

The Parent Bank's risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-datedness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets				
Receivables from Interbank Money Markets	9,504	5,095	9,504	5,095
Banks	3,568,508	3,158,351	3,568,508	3,158,351
Available-for-Sale Financial Assets	16,871,115	16,657,409	16,871,115	16,657,409
Held-to-Maturity Investments	6,854,593	5,413,171	6,983,593	5,193,841
Loans	106,355,671	88,673,058	107,248,004	88,892,545
Lease Receivables	1,089,987	900,223	1,089,987	900,223
Factoring Receivables	510,381	132,442	510,381	132,442
Financial Liabilities				
Bank Deposits	4,750,416	4,103,952	4,750,416	4,103,952
Other Deposits	88,652,197	78,935,447	88,696,535	78,935,447
Funds Borrowed	16,260,655	12,285,661	16,260,391	12,285,661
Securities Issued	10,384,708	6,820,735	10,315,024	6,820,735
Subordinated Loans	2,126,436	1,964,663	2,126,436	1,964,663
Miscellaneous Payables	3,344,419	2,841,068	3,344,419	2,841,068

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair values of fixed-interest loans are calculated by discounting contractual cashflows of the loans with current market interest rates. For the loans with floating interest rate carrying values of these loans also represents fair values.

Fair value of other assets and liabilities is calculated by adding accumulated acquisition costs and the sum of the interest accrual.

Fair value and carrying value of the borrowings is estimated to be same since most of loans have floating rates.

Fair value and carrying value of the subordinated loan is estimated to be same since the loans has obtained in a recent date compared to balance sheet date.

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Classification of Fair Value Measurement

IFRS 7 – Financial Instruments: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification prioritises observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Group. This sort of categorization generally results in the classifications below:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs)

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	10,798	55,355	-	66,153
Derivative financial assets held for trading purpose	-	379,576	-	379,576
Investment funds	2,947	-	-	2,947
Equity securities	1,565	-	-	1,565
Available-for-sale financial assets				
Equity securities	-	-	-	-
Debt securities	15,378,036	1,493,064	-	16,871,100
Investments in associates and subsidiaries	203,092	-	259,823 ⁽¹⁾	462,915
Total Financial Assets	15,596,438	1,927,995	259,823	17,784,256
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(270,627)	-	(270,627)
Total Financial Liabilities	-	(270,627)	-	(270,627)

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	139,074	69,686	-	208,760
Derivative financial assets held for trading purpose	-	438,395	-	438,395
Investment funds	5,441	-	-	5,441
Equity securities	2,996	-	27	3,023
Available-for-sale financial assets				
Equity securities	-	-	2,610	2,610
Debt securities	14,977,906	1,666,128	-	16,644,034
Investments in associates and subsidiaries	169,019	-	214,890 ^(*)	383,909
Total Financial Assets	15,294,436	2,174,209	217,527	17,686,172
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(219,480)	-	(219,480)
Total Financial Liabilities	-	(219,480)	-	(219,480)

⁽¹⁾ These amounts consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2014 is as follows:

	Level 3 Amount Current Period	Level 3 Amount Prior Period
Balance at the beginning of the year	217,527	166,444
Total gains or losses for the year recognised in profit or loss	-	-
Total gains or losses for the year recognised under equity	42,296	51,083
Balance at the end of the year	259,823	217,527

IX. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST

The Parent Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Bank is not involved in trust activities.

X. CONSOLIDATED SEGMENT REPORTING

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Exim bank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Parent Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently.

Additionally, the Parent Bank provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Parent Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/EXPENSES					
Interest Income	3,574,225	5,944,819	2,131,494	13,986	11,664,524
Interest income from loans	3,574,225	5,819,015	-	-	9,393,240
Interest income from reserve deposits	-	-	2,015	-	2,015
Interest income from securities portfolio	-	-	2,061,241	-	2,061,241
Interest income from banks	-	-	67,307	-	67,307
Interest income from money market transactions	-	-	931	-	931
Other interest income	-	125,804	-	13,986	139,790
Interest Expense	2,090,867	2,790,529	1,896,227	32,121	6,809,744
Interest expense on deposits	2,090,867	2,790,529	162,540	-	5,043,936
Interest expense on funds borrowed	-	-	243,009	-	243,009
Interest expense on money market transactions	-	-	925,913	-	925,913
Interest expense on securities issued	-	-	445,715	-	445,715
Other interest expenses	-	-	119,050	32,121	151,171
Net Interest Income	1,483,358	3,154,290	235,267	(18,135)	4,854,780
Net Fees and Commissions Income	489,121	185,335	-	-	674,456
Trading Income/Losses (Net)	-	-	248,795	-	248,795
Dividend Income	-	-	12,229	-	12,229
Other Income	-	-	-	2,119,791	2,119,791
Provision For Losses on Loans and Other Receivables	541,083	730,771	40,851	434,960	1,747,665
Other Expenses	-	-	-	3,903,605	3,903,605
Income/Loss From Investments Under Equity Accounting	-	-	33,077	-	33,077
Profit Before Taxes	1,431,396	2,608,854	488,517	(2,236,909)	2,291,858
Provision for taxes	-	-	-	(478,015)	(478,015)
Net Profit/Loss	1,431,396	2,608,854	488,517	(2,714,924)	1,813,843
SEGMENT ASSETS					
Securities Portfolio	-	-	23,796,373	-	23,796,373
Derivative financial assets held for trading purpose	-	-	379,576	-	379,576
Banks and Receivables From Money Markets	-	-	3,578,012	-	3,578,012
Investments in Associates and Subsidiaries(Net)	-	-	523,114	-	523,114
Loans	32,963,634	73,392,037	-	-	106,355,671
Other Assets	-	1,600,368	20,860,935	6,457,413	28,918,716
TOTAL ASSETS	32,963,634	74,992,405	49,138,010	6,457,413	163,551,462
SEGMENT LIABILITIES					
Deposits	38,649,556	50,587,300	4,165,757	-	93,402,613
Derivative Financial Liabilities Held for Trading Purpose	-	-	270,627	-	270,627
Interbank Money Market	-	-	16,655,241	-	16,655,241
Funds Borrowed	-	-	16,260,655	-	16,260,655
Securities Issued	-	-	10,384,708	-	10,384,708
Other Liabilities	-	-	2,330,138	4,681,025	7,011,163
Provisions and Tax Liabilities	-	-	-	4,605,932	4,605,932
Equity	-	-	-	14,960,523	14,960,523
TOTAL LIABILITIES AND EQUITY	38,649,556	50,587,300	50,067,126	24,247,480	163,551,462

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Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/EXPENSES					
Interest Income	3,237,888	4,446,546	1,674,526	81,475	9,440,435
<i>Interest income from loans</i>	3,237,888	4,381,853	-	-	7,619,741
<i>Interest income from securities portfolio</i>	-	-	1,616,594	-	1,616,594
<i>Interest income from banks</i>	-	-	57,026	-	57,026
<i>Interest income from money market transactions</i>	-	-	906	-	906
<i>Other interest income</i>	-	64,693	-	81,475	146,168
Interest Expense	1,520,724	1,932,935	1,014,602	65,019	4,533,280
<i>Interest expense on deposits</i>	1,520,724	1,932,935	89,750	-	3,543,409
<i>Interest expense on funds borrowed</i>	-	-	175,752	-	175,752
<i>Interest expense on money market transactions</i>	-	-	387,285	-	387,285
<i>Interest expense on securities issued</i>	-	-	257,758	-	257,758
<i>Other interest expenses</i>	-	-	104,057	65,019	169,076
Net Interest Income	1,717,164	2,513,611	659,924	16,456	4,907,155
Net Fees and Commissions Income	416,792	212,315	-	-	629,107
Trading Income/Losses (Net)	-	-	257,268	-	257,268
Dividend Income	-	-	16,429	-	16,429
Other Income	-	-	-	1,465,262	1,465,262
Provision For Losses on Loans and Other Receivables	332,842	1,053,999	145,903	279,865	1,812,609
Other Expenses	-	-	-	3,457,933	3,457,933
Income/Loss From Investments Under Equity Accounting	-	-	25,631	-	25,631
Profit Before Taxes	1,801,114	1,671,927	813,349	(2,256,080)	2,030,310
Provision for taxes	-	-	-	(402,131)	(402,131)
Net Profit/Loss	1,801,114	1,671,927	813,349	(2,658,211)	1,628,179
SEGMENT ASSETS					
Securities Portfolio	-	-	22,287,804	-	22,287,804
Derivative financial assets held for trading purpose	-	-	438,395	-	438,395
Banks and Receivables From Money Markets	-	-	3,163,446	-	3,163,446
Investments in Associates and Subsidiaries(Net)	-	-	438,101	-	438,101
Loans	30,575,847	58,097,211	-	-	88,673,058
Other Assets	-	1,032,665	17,951,402	5,802,711	24,786,778
TOTAL ASSETS	30,575,847	59,129,876	44,279,148	5,802,711	139,787,582
SEGMENT LIABILITIES					
Deposits	33,348,374	46,101,567	3,589,458	-	83,039,399
Derivative Financial Liabilities Held for Trading Purpose	-	-	219,480	-	219,480
Interbank Money Market	-	-	14,775,388	-	14,775,388
Funds Borrowed	-	-	12,285,661	-	12,285,661
Securities Issued	-	-	6,820,735	-	6,820,735
Other Liabilities	-	-	2,148,605	4,191,172	6,339,777
Provisions and Tax Liabilities	-	-	-	3,836,184	3,836,184
Equity	-	-	-	12,470,958	12,470,958
TOTAL LIABILITIES AND EQUITY	33,348,374	46,101,567	39,839,327	20,498,314	139,787,582

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,008,220	368,618	860,483	295,962
Central Bank of Turkey ⁽¹⁾	3,055,674	17,385,018	922,802	16,870,433
Others	62,474	11,077	19,591	5,911
Total	4,126,368	17,764,713	1,802,876	17,172,306

⁽¹⁾ TL 16,156,471 (31 December 2013: TL 14,542,489) of the foreign currency deposit at Central Bank of Turkey consists of foreign currency reserve deposits and TL 1,255 from total amount of TL consists of (31 December 2013: None) reserve deposit interest accrual.

In accordance with "Announcement on Reserve Deposits" of CBT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate of 11.5% for demand deposits, and the rates decrease to 5% as maturities get longer (31 December 2013: 11.5% for demand deposits, and the rates decrease to 5% as maturities get longer). For foreign currency liabilities, all banks shall provide a reserve rate of 13% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer (31 December 2013: 13% in US Dollar or Euro for demand and up to 1 year maturity deposits and rates decrease to 6% as maturities get longer).

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	3,054,416	1,228,547	922,799	1,043,944
Unrestricted time deposits	-	-	-	-
Restricted time deposits	3	-	3	1,284,000
Reserve Deposits	1,255	16,156,471	-	14,542,489
Total	3,055,674	17,385,018	922,802	16,870,433

2. Further information on financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	10,189	8,468	105,248	8,403
Others	-	-	-	-
Total	10,189	8,468	105,248	8,403

Trading securities subject to repurchase agreements

None.

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Trading purpose derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	3,616	474	28,203	375
Swap transactions	338,329	31,410	327,932	79,820
Futures	-	-	-	-
Options	530	5,217	15	2,050
Others	-	-	-	-
Total	342,475	37,101	356,150	82,245

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	784,978	2,783,530	379,923	2,778,428
Domestic	781,447	462,557	379,110	86,557
Foreign	3,531	2,320,973	813	2,691,871
Foreign head offices and branches	-	-	-	-
Total	784,978	2,783,530	379,923	2,778,428

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current	Prior	Current	Prior
EU Countries	224,460	268,516	97,060	1,793
USA, Canada	1,889,597	1,939,382	13,108	92,891
OECD Countries ^(*)	7,629	77,873	-	-
Off-shore Banking Regions	2,001	229	1,944	-
Others	88,705	312,000	-	-
Total	2,212,392	2,598,000	112,112	94,684

(*) OECD countries other than European Union countries, USA and Canada

(**) Restricted balances that occur from securization loans and other common banking activities

4. Information on available-for-sale financial assets

Available-for-sale financial assets given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,624,464	354,106	241,746	261,615
Others	-	-	-	-
Total	1,624,464	354,106	241,746	261,615

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Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	8,668,579	-	8,312,947	111,436
Treasury bills	-	-	-	-
Other debt securities	-	3,132,480	-	2,988,480
Bonds issued or guaranteed by banks	-	-	-	76,750
Asset backed securities	-	-	-	-
Total	8,668,579	3,132,480	8,312,947	3,176,666

Information on available-for-sale financial assets

	Current Period	Prior Period
	Debt securities	16,899,014
Quoted	16,899,014	16,992,896
Unquoted	-	-
Equity securities	15	13,375
Quoted	-	-
Unquoted	15	13,375
Provisions for impairment losses (-)	27,914	348,862
Total	16,871,115	16,657,409

5. Information on loans

Information on all types of loans and advances given to shareholders and employees of the Group

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	10,174	-	27,065
Legal entities	-	10,174	-	27,065
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	86,722	27	79,959	29
Total	86,722	10,201	79,959	27,094

Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	100,945,095	386,885	-	3,883,127	798,209	-
Loans given to enterprises	29,461,767	249,232	-	1,217,000	497,520	-
Export loans	4,153,291	-	-	86,524	6,014	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3,607,340	-	-	-	-	-
Consumer loans	27,896,213	137,570	-	1,450,730	243,627	-
Credit cards	4,079,933	-	-	294,593	8,212	-
Other	31,746,551	83	-	834,280	42,836	-
Specialized lending	3,602	-	-	-	-	-
Other receivables	18,096	-	-	-	-	-
Total	100,966,793	386,885	-	3,883,127	798,209	-

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Information related to the changes in the payment plans of loans and other receivables:

	Standard Loans and Other Receivables ^(*)	Loans and other receivables under close monitoring ^(*)
Number of modifications to extend payment plans		
Extended for 1 or 2 times	386,885	528,800
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-
	Standard Loans and Other Receivables ^(*)	Loans and other receivables under close monitoring ^(*)
Extended period of time		
0-6 Months	1,875	3,813
6-12 Months	6,623	10,647
1-2 Years	36,262	29,307
2-5 Years	267,320	430,957
5 Years and Over	74,805	54,076

^(*) The above tables include the change in the payment plans of performing loans and other receivables after 28 May 2011.

Maturity analysis of cash loans

Cash loans	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans and Other Receivables	27,609,777	279,719	1,172,311	72,131
Loans	27,591,681	279,719	1,172,311	72,131
Specialization loans	-	-	-	-
Other Receivables	18,096	-	-	-
Medium, Long-term Loans and Other Receivables	73,357,015	107,166	2,710,817	726,078
Loans	73,353,413	107,166	2,710,817	726,078
Specialization loans	3,602	-	-	-
Other Receivables	-	-	-	-

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Consumer loans, retail credit cards, personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	367,436	27,841,867	28,209,303
Housing loans	6,184	14,309,704	14,315,888
Automobile loans	4,180	431,240	435,420
General purpose loans	296,214	11,152,980	11,449,194
Others	60,858	1,947,943	2,008,801
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	1,915	7,471	9,386
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,915	7,471	9,386
Others	-	-	-
Retail credit cards – TL	3,010,894	72,025	3,082,919
With instalment	1,337,216	53,246	1,390,462
Without instalment	1,673,678	18,779	1,692,457
Retail credit cards – FC	1,433	-	1,433
With instalment	-	-	-
Without instalment	1,433	-	1,433
Personnel loans – TL	2,783	35,212	37,995
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	2,680	34,776	37,456
Others	103	436	539
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	633	7	640
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	633	7	640
Others	-	-	-
Personnel credit cards – TL	47,872	123	47,995
With instalment	18,454	104	18,558
Without instalment	29,418	19	29,437
Personnel credit cards – FC	92	-	92
With instalment	-	-	-
Without instalment	92	-	92
Overdraft Checking Accounts – TL (Real persons)	1,470,746	-	1,470,746
Overdraft Checking Accounts – FC (Real persons)	70	-	70
Total	4,903,874	27,956,705	32,860,579

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Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	928,103	20,568,682	21,496,785
Real estate loans	191	588,076	588,267
Automobile loans	38,552	1,635,894	1,674,446
General purpose loans	889,360	18,344,712	19,234,072
Others	-	-	-
Instalment-based commercial loans – FC indexed	28,821	822,166	850,987
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	28,821	822,166	850,987
Others	-	-	-
Instalment-based commercial loans – FC	443,577	5,452,854	5,896,431
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	443,577	1,363,070	1,806,647
Others	-	4,089,784	4,089,784
Corporate credit cards – TL	1,250,035	155	1,250,190
With instalment	520,658	155	520,813
Without instalment	729,377	-	729,377
Corporate credit cards – FC	109	-	109
With instalment	-	-	-
Without instalment	109	-	109
Overdraft Checking Accounts – TL (Corporate)	701,874	-	701,874
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	3,352,519	26,843,857	30,196,376

Allocation of loan customers

	Current Period	Prior Period
Public Sector	1,341,881	1,136,265
Private Sector	104,693,133	87,167,781
Total	106,035,014	88,304,046

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	105,692,668	87,928,337
Foreign loans	342,346	375,709
Total	106,035,014	88,304,046

Loans to associates and subsidiaries

	Current Period	Prior Period
Directly loans to associates and subsidiaries	16	13
Indirectly loans to associates and subsidiaries	-	-
Total	16	13

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Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	60,819	83,075
Loans and receivables with doubtful collectability	550,374	660,691
Uncollectible loans and receivables	3,250,115	2,623,687
Total	3,861,308	3,367,453

Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured or rescheduled

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	34,563	92,576	82,945
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	34,563	92,576	82,945
Prior period	46,682	72,045	65,263
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	46,682	72,045	65,263

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	381,577	692,399	2,662,489
Additions (+)	1,277,757	47,751	34,430
Transfers from other categories of loans under follow-up (+)	-	1,178,124	1,175,765
Transfers to other categories of loans under follow-up (-) ⁽¹⁾	1,213,749	1,174,120	92,312
Collections (-)	136,750	149,294	490,149
Write-offs (-)	-	13,579	51
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Others</i>	-	13,579	51
Currency differences	-	1,611	66
Balance at the end of the period	308,835	582,892	3,290,238
Specific provisions (-)	60,819	550,374	3,250,115
Net balance on balance sheet	248,016	32,518	40,123

⁽¹⁾ Loans that are transferred from non-performing loans to restructured loans are presented in the Transfers to other categories of loans under follow-up lines.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

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Information on non-performing loans and other receivables in foreign currencies

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period			
Balance at the end of the year	23,332	3,507	360,219
Specific provisions (-)	4,296	3,026	331,347
Net balance on balance sheet	19,036	481	28,872
Prior Period			
Balance at the end of the year	33,864	1,980	324,226
Specific provisions (-)	6,773	1,980	321,412
Net balance on balance sheet	27,091	-	2,814

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

Write-off policy for uncollectible loans and receivables

The Group writes off a loan balance (and any related allowances for impairment losses) when it is concluded that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Loan customer concentration of non-performing loans

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period (Net)			
Consumer and commercial loans (Gross)	305,619	576,523	3,225,510
Specific provisions (-)	60,176	544,005	3,185,387
Consumer and commercial loans (Net)	245,443	32,518	40,123
Banks (Gross)	-	-	6,321
Specific provisions (-)	-	-	6,321
Banks (Net)	-	-	-
Other loans and receivables (Gross)	3,216	6,369	58,407
Specific provisions (-)	643	6,369	58,407
Other loans and receivables (Net)	2,573	-	-
Prior Period (Net)	329,125	1,085	38,802
Consumer and commercial loans (Gross)	409,372	655,123	2,604,871
Specific provisions (-)	82,509	654,038	2,566,069
Consumer and commercial loans (Net)	326,863	1,085	38,802
Banks (Gross)	-	-	7,462
Specific provisions (-)	-	-	7,462
Banks (Net)	-	-	-
Other loans and receivables (Gross)	2,828	6,653	50,156
Specific provisions (-)	566	6,653	50,156
Other loans and receivables (Net)	2,262	-	-

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6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	6,761,749	-	5,358,742	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	11,590
Total	6,761,749	-	5,358,742	11,590

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	6,860,448	5,470,531
Quoted at stock exchanges	6,767,604	5,427,692
Unquoted at stock exchanges	92,844	42,839
Impairment losses (-)	5,855	57,360
Total	6,854,593	5,413,171

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	5,413,171	4,261,060
Foreign currency differences on monetary assets	7,990	54,323
Purchases during the period	2,924,991	2,530,205
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,773,902)	(1,507,738)
Impairment losses	51,505	13,979
Change in amortized costs of the securities ⁽¹⁾	230,838	61,342
Balances at the end of the period	6,854,593	5,413,171

⁽¹⁾ Differences in the amortized costs of the marketable securities are included in this column.

Information about held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	931,961	92,800	972,002	92,844
Investments subject to repurchase agreements	5,289,597	-	5,629,267	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ⁽¹⁾	150,772	-	160,480	-
Total	6,372,330	92,800	6,761,749	92,844

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.

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Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	287,360	42,800	281,131	42,839
Investments subject to repurchase agreements	4,716,595	-	4,831,384	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Others ⁽¹⁾	247,800	10,908	246,227	11,590
Total	5,251,755	53,708	5,358,742	54,429

⁽¹⁾ The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Others" line.

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ ⁽¹⁾	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ	Ankara/Turkey	1.75	1.75
8 World Vakıf UBB Ltd. in Liquidation	Lefkosa/NCTR	82.00	85.24

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	Fair Value
1	2,483,266	497,045	436,151	12,471	-	96,304	30,555	-
2	56,641	25,774	32,679	1,009	-	3,490	2,644	-
3	105,453	88,452	47,272	3,178	-	18,547	28,150	-
4	131,827	(14,638)	88,016	453	-	(8,600)	(5,972)	-
5	103,033	18,507	91,434	11	-	(5,610)	(12,745)	-
6	5,265,146	776,726	20,740	116,803	18,797	96,179	53,588	-
7	289,395	284,079	3,274	14,246	-	10,288	8,436	-
8	1,306	(56,103)	-	-	-	(5,465)	(4,369)	-

⁽¹⁾ Financial information as at 30 September 2014 has been presented for these associates.

In the current period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 is paid from bonus shares and TL 60,000 is paid in cash amounting to TL 180,000 in total. The stock right in cash capital commitment has been removed related to the capital increase, Banks' share has been decreased from 4.86% to %4.37.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on 4 February 2009. Pursuant to the 4 March 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 24 May 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified "Investments in associates".

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The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on 27 August 2013. Thus, the company's title has been changed as "World Vakıf UBB Ltd in Liquidation".

In the prior period, the capital of İstanbul Takas ve Saklama Bankası, an associate of the Bank, has been increased from TL 60,000 to TL 420,000, TL 180,000 is paid from its own resources and TL 180,000 is paid in cash amounting to TL 360,000 in total.

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/(loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

Title	Address (City/Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ ⁽¹⁾	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Fair Value
1	822,625	66,941	9,656	62,408	8,036	11,969	758	-
2	16,225,701	2,424,251	292,546	535,988	283,216	374,111	295,154	3,029,090

⁽¹⁾ Figures are obtained from audited financial statements as at and for the period ended 31 December 2014 disclosed in Public Disclosure Platform.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,300,000 to TL 1,500,000 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ, an associate of the Bank, from TL 1,100,000 to TL 1,300,000, by the General Assembly of the Company, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ that were accounted as investments in associates in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in associates.

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Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	203,241	217,563
Movements during the period	56,716	(14,322)
Transfers	-	-
Acquisitions	-	-
Bonus shares received	16,755	16,755
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	39,961	(31,077)
Impairment losses	-	-
Balance at the end of the period	259,957	203,241
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectorial distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	259,957	203,241
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	-	-
Total	259,957	203,241

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	253,838	197,122
Quoted at international stock exchanges	-	-
Total	253,838	197,122

Investments in associates disposed during the period

None.

Investments in associates acquired during the period

There is not any associate acquired in the current period.

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8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Finans Factoring Hizm. AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	65,000	35,000	22,400	150,000	26,500	3,000	203,320	20,000
Share Premium	-	-	-	-	-	-	-	246,731	-
Adjustment to paid-in capital	-	353	137	29,228	1,448	10,424	-	21,973	93
Valuation changes in marketable securities	22,273	2,711	36,611	-	179,635	729	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	-	-	-	17,734	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	59	191	-	-	-
Legal Reserves	7,237	3,890	5,455	4,988	17,179	15,921	872	3,639	395
Extraordinary Reserves	-	36,846	3,788	32,280	19,247	33,816	6,022	54,773	-
Other Profit Reserves	127,486	(68)	2,146	-	(3,008)	(1,918)	17	10	2
Profit/Loss	116,730	(3,863)	4,640	2,804	(144,925)	86,016	2,561	21,855	(2,492)
Prior Years' Profit/Loss	82,898	-	810	(8,962)	(124,742)	41,213	-	-	(2,509)
Current Years' Profit/Loss	33,832	(3,863)	3,830	11,766	(20,183)	44,803	2,561	21,855	17
Minority Rights	-	102	-	-	-	-	-	-	-
Total Core Capital	388,209	104,971	87,777	91,700	237,369	171,679	12,472	552,301	17,998
SUPPLEMENTARY CAPITAL									
CAPITAL	388,209	104,971	87,777	91,700	237,369	171,679	12,472	552,301	17,998
NET AVAILABLE EQUITY	388,209	104,971	87,777	91,700	237,369	171,679	12,472	552,301	17,998

The figures from audited BRSA financial statements as at 31 December 2014 are presented.

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Parent Bank, calculates capital adequacy in accordance with "Communiqué on Capital and Capital Adequacy of Intermediary Firms" of CMB every 6 months. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with "Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Under secretariat of Treasury every 6 months. According to the calculations at 31 December 2014, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

Title	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ ^(*)	Ankara/Turkey	65.50	84.92
2 Taksim Otelcilik AŞ ^(*)	İstanbul/Turkey	51.00	51.52
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(*)	İstanbul/Turkey	69.33	74.98
4 Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/Turkey	54.29	58.54

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Fair Value
1 17,015	8,796	1,063	310	-	182	(548)	14,000
2 309,232	303,566	182,275	7,620	-	6,080	4,836	356,734
3 51,331	42,325	786	1,885	192	5,046	1,475	45,635
4 30,885	25,468	635	1,879	128	4,362	5,790	39,000

^(*) Financial information as at 30 September 2014 has been presented for these subsidiaries.

^(*) Financial information as at 30 June 2014 has been presented for these subsidiaries.

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Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

In the current period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share proportion of the Bank is remained the same (51.001%). TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Taksim Otelcilik AŞ, a subsidiary of the Bank, from TL 97,150 to TL 269,257, by the Extraordinary General Assembly of the company on 27 August 2013, the share of the Bank is increased from TL 49,547 to TL 137,324 (TL 57,176 from retained earnings and TL 30,601 from cash, in total TL 87,777) and the share proportion of the Bank is remained the same. TL 7,650 is paid on 13 September 2013 and TL 22,950 is paid on 2 December 2013 from TL 30,601 which is Bank's share of cash capital commitment.

Investments in consolidated subsidiaries

Title	Address (City/Country)	Bank's Share – If Different Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ ^(*)	Istanbul/Turkey	36.35	36.35
2 Vakıf Emeklilik AŞ	Istanbul/Turkey	53.90	75.30
3 Vakıf Finans Factoring Hizmetleri AŞ	Istanbul/Turkey	78.39	86.97
4 Vakıf Finansal Kiralama AŞ ^(**)	Istanbul/Turkey	58.71	64.40
5 Vakıf Yatırım Menkul Değerler AŞ	Istanbul/Turkey	99.00	99.44
6 Vakıfbank International AG	Vienna/Austria	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	Istanbul/Turkey	99.99	99.99
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(*)	Istanbul/Turkey	22.89	32.91
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(**)	Istanbul/Turkey	38.70	40.64

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/(Loss)	Fair Value
1	1,360,678	386,504	496,181	24,219	9,524	13,440	(53,692)	290,829
2	3,191,913	188,695	86,928	29,568	500	31,170	31,397	551,118
3	540,580	91,699	109	45,369	-	10,051	(7,247)	83,267
4	1,201,561	104,972	5,103	81,456	5	(3,863)	1,313	76,901
5	362,296	87,777	303	16,245	489	3,830	5,979	79,971
6	2,851,768	388,210	686	72,653	15,675	33,078	16,078	356,805
7	12,920	12,472	284	1,111	22	2,561	2,044	46,944
8	12,946	12,639	42	370	534	(320)	(1,164)	19,574
9	553,866	552,300	168,739	23,776	422	21,855	4,358	575,432

(*) The financial statements for these subsidiaries as at and for the period ended 30 September 2014 are presented.

(**) Figures are obtained from financial statements as at and for the period ended 31 December 2014 disclosed in Public Disclosure Platform.

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Movement table of consolidated investments in subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Balance at the beginning of the period	1,163,983	912,209
Movements during the period	23,614	251,774
Transfers	-	-
Acquisitions	172,562	51,626
Bonus shares received	-	3,267
Share of current year profit	(32,389)	(15,272)
Sales and liquidations	-	-
Fair value changes	(118,756)	212,153
Impairment losses	2,197	-
Balance at the end of the period	1,187,597	1,163,983
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,187,597	1,163,983
Equity method of accounting	-	-
Total	1,187,597	1,163,983

Sectorial distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Insurance companies	402,769	341,751
Banks	321,124	270,577
Factoring companies	65,273	87,205
Leasing companies	45,149	36,636
Financing companies	-	-
Other financial subsidiaries	353,282	427,814
Total	1,187,597	1,163,983

Quoted consolidated subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	378,037	478,631
Quoted at international stock exchanges	-	-
Total	378,037	478,631

Consolidated subsidiaries disposed during the year

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

There is no subsidiary acquired in the current period.

In the current period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

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In the current period, Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Comminique on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, Bank's total nominal share has increased to TL 4,579 and share proportion has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the current period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share proportion has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ, a subsidiary of the Bank, from TL 60,000 to TL 65,000, by the General Assembly of the company, the share of the Bank amounting to TL 2,936 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, a subsidiary of the Bank, from TL 105,000 to TL 106,200, by the General Assembly of the company, the share of the Bank amounting to TL 331 is presented as bonus shares received in movement table of investments in subsidiaries.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf International AG, a subsidiary of the Bank, from EUR 45,000 (in thousands) to EUR 70,000 (in thousands), by the General Assembly of the company, the share of the Bank amounting to TL 51,626 is presented in acquisitions and capital increases in the movement table of investments in subsidiaries.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ that were accounted as investments in associate in 2012 have been classified as subsidiary beginning from 1 January 2013 and presented in the transfers in movement table of investments in subsidiary.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	61,740	59,415	294,378	248,630
Between 1-4 years	693,909	593,778	645,869	567,960
Longer than 4 years	518,153	436,794	88,692	83,633
Total	1,273,802	1,089,987	1,028,939	900,223

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	1,273,802	1,028,939
Unearned income on finance lease receivables (-)	(183,815)	(128,716)
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,089,987	900,223

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Finance lease agreements

Sum of the minimum lease payments including interest and principal amounts are stated under the "finance lease receivables" as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the "unearned income" account. If the lease payments are made, the lease principal amount is deducted from the "finance lease receivables" as the interest component of the payment is reflected to interest income on the consolidated statement of income.

11. Information on derivative financial instruments held for risk management purposes

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	815,004	139,026	53,139	802,339	1,809,508
Accumulated depreciation(-)	251,836	127,795	38,246	511,658	929,535
Impairment(-)	-	-	-	-	-
Net book value	563,168	11,231	14,893	290,681	879,973
Balance at the end of the current year:					
Net book value at the beginning of the current year	563,168	11,231	14,893	290,681	879,973
Additions	37,546	900	2,069	157,715	198,230
Cost of the disposals	158,500	2,662	9,548	18,146	188,856
Depreciation of the disposals (-)	8,644	2,641	7,769	11,900	30,954
Depreciation of the current year	19,286	3,200	6,012	88,622	117,120
Impairment (-)	18,224	-	-	-	18,224
Exchange differences related to foreign associates	(66)	-	-	(18)	(84)
Cost at the end of the current year	693,984	137,264	45,660	941,890	1,818,798
Accumulated depreciation at the end of the year (-)	262,478	128,354	36,489	588,380	1,015,701
Impairment (-)	18,224	-	-	-	18,224
Net book value at the end of the current year	413,282	8,910	9,171	353,510	784,873

13. Information on intangible assets

Bank's intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before 31 December 2004, over their initial costs for the items purchased after 31 December 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

14. Information on investment properties

As at 31 December 2014, the Group has investment property amounting to TL 24,185 (31 December 2013: TL 20,829) which consists of the subsidiaries operating in the insurance business and TL 167,815 (31 December 2013: None) which consists of the subsidiaries operating in real estate investment.

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15. Information on deferred tax assets

a) Current tax assets

As at 31 December 2014 the current tax assets amounts to TL 9,331 (31 December 2013: 6,891).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 31 December 2014 and 31 December 2013:

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	81,757	73,189
Other provisions	28,083	45,538
Tax losses carried forward	-	24,601
Valuation difference for associates and subsidiaries	54,050	26,465
Investment incentives	17,213	21,053
Valuation differences of financial assets and liabilities	121,671	16,172
Reporting Standards-Tax Code depreciation differences	10,303	8,802
Other differences	14,615	14,568
Deferred tax assets	327,692	230,388
Net-off of the deferred tax assets and liabilities from the same entity	(154,733)	(72,752)
Deferred tax assets, (net)	172,959	157,636
Valuation differences of financial assets and liabilities	122,064	64,672
Valuation difference for associates and subsidiaries	40,059	1,161
Other differences	7,818	10,894
Deferred tax liabilities	169,941	76,727
Net-off of the deferred tax assets and liabilities from the same entity	(154,733)	(72,752)
Deferred tax liabilities, (net)	15,208	3,975

16. Information on assets held for sale and assets related to the discontinued operations

As at 31 December 2014, net book value of assets held for sale of the Group is amounting to TL 747,482 (31 December 2013: TL 566,913).

17. Information on other assets

As at 31 December 2014 and 31 December 2013, the details of other assets are as follows:

	Current Period	Prior Period
Receivables from insurance operations	842,523	293,382
Receivables from credit cards	772,007	596,284
Prepaid expenses	705,381	518,826
Guarantees given for repurchase agreements	193,605	392,641
Receivables from derivative financial instruments	351,579	61,219
Receivables from term sale of assets	68,664	96,948
Receivables from reinsurance companies	54,057	598,482
Deferred commission expenses	31,841	86,788
Others	338,730	374,050
Total	3,358,387	3,018,620

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II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	3,715,353	-	463,572	18,032,423	1,393,667	328,345	136,781	-	24,070,141
Foreign currency deposits	3,472,263	-	2,181,070	11,351,517	1,426,041	1,426,188	4,245,584	-	24,102,663
Residents in Turkey	3,056,116	-	2,174,847	11,162,513	1,193,080	494,191	794,731	-	18,875,478
Residents in abroad	416,147	-	6,223	189,004	232,961	931,997	3,450,853	-	5,227,185
Public sector deposits	3,583,281	-	2,370,191	5,695,639	437,138	2,788,470	190,212	-	15,064,931
Commercial deposits	2,154,441	-	4,610,468	9,566,212	422,470	233,506	5,478	-	16,992,575
Others	3,208,185	-	1,102,804	2,747,775	380,429	98,701	29,638	-	7,567,532
Precious metal deposits	854,355	-	-	-	-	-	-	-	854,355
Bank deposits	66,930	-	3,466,419	1,086,606	80,387	33,206	16,868	-	4,750,416
Central Bank	424	-	-	-	-	-	-	-	424
Domestic banks	3,696	-	3,288,392	422,069	2,016	33,206	16,868	-	3,766,247
Foreign banks	59,181	-	178,027	664,537	78,371	-	-	-	980,116
Participation banks	3,629	-	-	-	-	-	-	-	3,629
Others	-	-	-	-	-	-	-	-	-
Total	17,054,808	-	14,194,524	48,480,172	4,140,132	4,908,416	4,624,561	-	93,402,613

Prior Period	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	2,981,927	-	303,254	15,576,713	1,449,324	403,340	180,434	-	20,894,992
Foreign currency deposits	2,217,395	-	1,999,960	9,026,515	1,271,482	1,587,254	4,217,950	-	20,320,556
Residents in Turkey	1,653,073	-	1,995,186	8,786,795	1,124,231	1,183,491	981,537	-	15,724,313
Residents in abroad	564,322	-	4,774	239,720	147,251	403,763	3,236,413	-	4,596,243
Public sector deposits	3,132,866	-	1,811,779	5,896,887	595,073	330,113	173,382	-	11,940,100
Commercial deposits	1,756,803	-	2,924,845	10,395,210	1,268,039	418,441	114,238	-	16,877,576
Others	2,732,077	-	908,535	2,707,201	526,608	949,011	19,986	-	7,843,418
Precious metal deposits	1,058,805	-	-	-	-	-	-	-	1,058,805
Bank deposits	25,537	-	2,113,701	1,282,805	375,303	213,701	92,905	-	4,103,952
Central Bank	297	-	-	-	-	-	-	-	297
Domestic banks	9,639	-	2,012,419	323,664	281,629	30,992	-	-	2,658,343
Foreign banks	9,065	-	101,282	959,141	93,674	182,709	92,905	-	1,438,776
Participation banks	6,536	-	-	-	-	-	-	-	6,536
Others	-	-	-	-	-	-	-	-	-
Total	13,905,410	-	10,062,074	44,885,331	5,485,829	3,901,860	4,798,895	-	83,039,399

Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	12,652,145	10,798,600	11,417,996	10,096,392
Foreign currency saving deposits	3,846,786	3,422,906	8,435,919	7,000,952
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	16,498,931	14,221,506	19,853,915	17,097,344

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Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	21,061	16,584
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	3,905	2,354
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

Negative differences related to the derivative financial liabilities held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	3,209	458	47,540	362
Swaps	62,110	199,156	83,783	85,730
Futures	-	-	-	-
Options	457	5,237	15	2,050
Total	65,776	204,851	131,338	88,142

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	698,396	214,926	190,750	310,394
Foreign banks, institutions and funds	871,227	14,476,106	221,472	11,563,045
Total	1,569,623	14,691,032	412,222	11,873,439

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term ⁽¹⁾	1,283,259	7,322,336	135,039	6,757,418
Medium and Long-term ⁽¹⁾	286,364	7,368,696	277,183	5,116,021
Total	1,569,623	14,691,032	412,222	11,873,439

⁽¹⁾ Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.94% (31 December 2013: 9.65%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 12 April 2013, the Parent Bank has obtained syndicated loan at the amount of US Dollar 251,5 million and Euro 555,17 million in total US Dollar 980 million with the interest rate of Libor/Euribor +1.00% at a maturity of one year with the participation of 38 banks. On 16 April 2014, the loan has been renewed with a new syndicated loan amounting to US Dollar 270,5 million and Euro 525 million with the interest rate of US Libor +0.90% and Euribor +0.90% at a maturity of one year, with participation of 35 banks with the coordination of Wells Fargo Bank, N.A., London Branch and Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent.

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On 20 September 2013, the Parent Bank has obtained syndicated loan at the amount of US Dollar 166 million and Euro 471 million with the interest rate of US Libor + 0.75% and Euribor + 0.75% at a maturity of one year, with the participation of 27 banks with the coordination and agency of ING Bank N.V. London. On 22 September 2014, the loan has been renewed with a new syndicated loan amounting to US Dollar 168,5 million and Euro 528,75 million with interest rates of US Libor + 0.90% and Euribor + 0.9% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank.

On 19 December 2014, the Parent Bank has obtained securitization loan at the amount of US Dollar 928,6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan at the amount of US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428,6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development Bank (EBRD) at the amount of US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs.

2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-D segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

As at 31 December 2014, total securitization loan amounts to US Dollar 1.397 million.

Information on securities issued

With in the context of Global Medium Term Notes (GMTN), The Bank has issued Turkey's first Eurobond apart from Undersecretariat of Treasury. The bond has been issued in the context of GMTN on 17 June 2014 has a nominal value of Euro 500 million, maturity date on 17 June 2019 with fix rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

With in the context of Global Medium Term Notes (GMTN), 106 private placement transaction in total with 12 different banks has been realized since 2013 June. These transactions have been realized in different currencies (US Dollar, Euro and CHF) at the maturities 3 months, 6 months, 1 year and 2 years. As at 31 December 2014, US Dollar 2,684 million of private placement has been realized. In the same period, total private placement has been US Dollar 1,026 million. The major part of these transactions has been carried out with Asian investors.

	Current period		Prior period	
	TL	FC	TL	FC
Nominal	2,930,927	7,472,592	2,357,636	4,499,865
Cost	2,813,866	7,436,932	2,256,108	4,477,363
Net Book Value	2,866,343	7,518,365	2,301,798	4,518,937

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Current Period										
ISIN Code	Security Type	Coupon Rate	Currency Type	Issue Date	Maturity Date	Days to Maturity	Nominal	Cost	Net Book Value	
TRQVKFB31521	Discounted	-	TL	21.11.2014	13.03.2015	112	367,289	357,774	361,284	
TRQVKFB31539	Discounted	-	TL	12.12.2014	13.03.2015	91	196,129	192,033	192,925	
TRQVKFB81526	Discounted	-	TL	24.10.2014	07.08.2015	287	88,644	82,430	83,878	
TRQVKFB81534	Discounted	-	TL	21.11.2014	07.08.2015	259	27,404	25,798	26,044	
TRQVKFB51529	Discounted	-	TL	21.11.2014	15.05.2015	175	240,965	231,321	233,540	
TRQVKFB81542	Discounted	-	TL	12.12.2014	07.08.2015	238	14,561	13,782	13,846	
TRQVKFB41520	Discounted	-	TL	24.10.2014	17.04.2015	175	736,745	705,583	717,613	
TRQVKFB51537	Discounted	-	TL	12.12.2014	15.05.2015	154	165,233	159,456	160,193	
TRQVKFB41512	Discounted	-	TL	02.05.2014	17.04.2015	350	12,028	11,042	11,700	
TRQVKFB51511	Discounted	-	TL	06.06.2014	29.05.2015	357	36,117	33,210	34,837	
TRQVKFB21514	Discounted	-	TL	22.08.2014	13.02.2015	175	664,715	638,505	657,735	
TRQVKFB81518	Discounted	-	TL	22.08.2014	07.08.2015	350	43,546	39,822	41,166	
TRQVKFB31513	Discounted	-	TL	19.09.2014	13.03.2015	175	337,551	323,110	331,582	
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1826	1,147,300	1,136,528	1,155,710	
XS0916347759	Fixed	3.75	USD	15.04.2013	15.04.2018	1826	1,391,012	1,383,310	1,397,180	
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1826	1,160,000	1,152,460	1,164,098	
XS1069999610	Fixed	1.75	USD	21.05.2014	20.05.2015	364	11,600	11,600	11,725	
XS1084474862	Fixed	0.73	USD	03.07.2014	07.01.2015	188	18,328	18,328	18,394	
XS1085714621	Fixed	1.43	USD	09.07.2014	07.01.2015	182	92,800	92,800	93,443	
XS1087783269	Fixed	1.45	USD	14.07.2014	08.01.2015	178	42,688	42,688	42,979	
XS1087831506	Fixed	1.45	USD	15.07.2014	15.01.2015	184	97,440	97,440	98,100	
XS1089992686	Fixed	1.4	USD	22.07.2014	15.01.2015	177	48,720	48,720	49,025	
XS1090076768	Fixed	1.4	USD	22.07.2014	22.01.2015	184	58,000	58,000	58,364	
XS1091762812	Fixed	1.4	USD	25.07.2014	22.01.2015	181	48,256	48,256	48,553	
XS1091766482	Fixed	1.4	USD	01.08.2014	26.01.2015	178	71,920	71,920	72,343	
XS1096098030	Fixed	1.4	USD	08.08.2014	05.02.2015	181	76,328	76,324	76,756	
XS1096471526	Fixed	1.4	USD	08.08.2014	29.01.2015	174	35,264	35,264	35,462	
XS1097465766	Fixed	1.4	USD	13.08.2014	18.02.2015	189	27,840	27,840	27,991	
XS1101735634	Fixed	1.4	USD	20.08.2014	19.02.2015	183	40,600	40,600	40,809	
XS1101839170	Fixed	1.4	USD	21.08.2014	17.02.2015	180	69,600	69,600	69,956	
XS1105745761	Fixed	0.7	USD	02.09.2014	05.03.2015	184	64,960	64,960	65,111	
XS1107482306	Fixed	1.38	USD	09.09.2014	12.03.2015	184	84,680	84,671	85,043	
XS1110657050	Fixed	1.4	USD	16.09.2014	19.03.2015	184	116,000	116,000	116,477	
XS1112873176	Fixed	1.4	USD	23.09.2014	26.03.2015	184	85,840	85,840	86,170	
XS1113320888	Fixed	1.74	USD	24.09.2014	23.09.2015	364	14,384	14,382	14,450	
XS1115283571	Fixed	1.73	USD	30.09.2014	07.10.2015	372	9,280	9,278	9,319	
XS1115485010	Fixed	1.4	USD	29.09.2014	27.03.2015	179	34,800	34,800	34,926	
XS1117991213	Fixed	1.1	USD	08.10.2014	08.01.2015	92	73,776	73,776	73,966	
XS1118030300	Fixed	1.8	USD	09.10.2014	08.10.2015	364	27,840	27,840	27,955	
XS1118051215	Fixed	1.35	USD	08.10.2014	02.04.2015	176	73,312	73,312	73,543	
XS1118053005	Fixed	1.35	USD	08.10.2014	17.04.2015	191	11,600	11,600	11,637	
XS1121229741	Fixed	1.78	USD	15.10.2014	26.10.2015	376	9,280	9,278	9,314	
XS1121307059	Fixed	1.1	USD	15.10.2014	15.01.2015	92	73,312	73,312	73,485	
XS1121307307	Fixed	1.35	USD	15.10.2014	16.04.2015	183	55,680	55,680	55,841	
XS1123043983	Fixed	1.02	USD	20.10.2014	20.01.2015	92	23,200	23,195	23,246	
XS1124128320	Fixed	1.35	USD	17.10.2014	16.04.2015	181	62,640	62,640	62,817	
XS1124141349	Fixed	1.1	USD	17.10.2014	22.01.2015	97	30,160	30,160	30,229	
XS1124325074	Fixed	1.35	USD	20.10.2014	20.04.2015	182	58,000	58,000	58,157	
XS1126276697	Fixed	1.8	USD	23.10.2014	23.10.2015	365	116,000	116,000	116,402	
XS1129857782	Fixed	1.35	USD	24.10.2014	28.04.2015	186	56,144	56,144	56,288	
XS1130031039	Fixed	1.33	USD	28.10.2014	27.04.2015	181	81,200	81,192	81,388	
XS1130490227	Fixed	1.79	USD	30.10.2014	04.11.2015	370	10,440	10,438	10,471	
XS1132341485	Fixed	1.25	USD	03.11.2014	30.04.2015	178	30,160	30,160	30,221	
XS1132341568	Fixed	1.8	USD	04.11.2014	05.11.2015	366	12,064	12,064	12,099	
XS1132440386	Fixed	1.27	USD	05.11.2014	07.05.2015	183	32,480	32,480	32,545	
XS1135135272	Fixed	1.8	USD	05.11.2014	05.11.2015	365	116,000	116,000	116,326	
XS1138701500	Fixed	1.3	USD	18.11.2014	27.05.2015	190	18,560	18,558	18,588	
XS1139114257	Fixed	1.24	USD	18.11.2014	18.05.2015	181	92,800	92,791	92,932	
XS1143013297	Fixed	1.28	USD	24.11.2014	28.05.2015	185	52,432	52,432	52,502	
XS1143372008	Fixed	1.25	USD	25.11.2014	27.05.2015	183	81,200	81,196	81,300	
XS1063444001	Floating	3 Month-Euribor+2.15%	EUR	06.05.2014	06.05.2016	731	29,634	29,486	29,650	
XS1077629225	Fixed	3.5	EUR	17.06.2014	17.06.2019	1826	1,397,038	1,387,589	1,415,079	
Total							10,403,519	10,250,798	10,384,708	

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ISIN Code	Security Type	Coupon Rate	Currency Type	Issue Date	Maturity Date	Days to Maturity	Nominal	Cost	Net Book Value
TRQVKFB51438	Discounted	-	TL	08.11.2013	02.05.2014	175	617,443	594,194	601,272
TRQVKFB61411	Discounted	-	TL	20.12.2013	06.06.2014	168	613,114	589,153	590,850
TRQVKFB21415	Discounted	-	TL	06.09.2013	28.02.2014	175	648,883	620,788	639,392
TRQVKFB21423	Discounted	-	TL	06.09.2013	28.02.2014	175	187,216	179,130	184,485
TRQVKFB11416	Discounted	-	TL	18.01.2013	17.01.2014	364	145,464	136,844	144,999
TRQVKFB51412	Discounted	-	TL	17.05.2013	16.05.2014	364	61,522	58,211	60,210
TRQVKFB51420	Discounted	-	TL	05.07.2013	16.05.2014	315	53,415	49,922	51,859
TRQVKFB81419	Discounted	-	TL	06.09.2013	22.08.2014	350	30,579	27,866	28,731
XS0916347759	Fixed	3.75	USD	15.04.2013	15.04.2018	1,826	1,282,968	1,275,986	1,287,414
US90015NAA19	Fixed	5.75	USD	24.04.2012	24.04.2017	1,826	1,056,730	1,048,377	1,063,882
XS0957643801	Fixed	1.9	USD	06.08.2013	06.02.2014	184	154,508	154,462	155,705
XS0960939857	Fixed	1.97	USD	15.08.2013	13.02.2014	182	118,984	118,966	119,884
XS0963672950	Fixed	1.95	USD	20.08.2013	13.02.2014	177	117,700	117,688	118,550
XS0977254621	Fixed	1.66	USD	02.10.2013	09.01.2014	99	43,442	43,437	43,624
XS0976659234	Fixed	1.73	USD	03.10.2013	03.04.2014	182	64,200	64,161	64,458
XS0979045886	Fixed	1.67	USD	07.10.2013	06.01.2014	91	51,360	51,356	51,565
XS0982276528	Fixed	1.67	USD	11.10.2013	16.01.2014	97	64,200	64,192	64,443
XS0986042439	Fixed	1.62	USD	28.10.2013	21.01.2014	85	63,344	63,340	63,528
XS0987355939	Fixed	5	USD	31.10.2013	31.10.2018	1,826	1,070,000	1,063,045	1,072,420
XS0993260933	Fixed	1.25	USD	12.11.2013	10.02.2014	90	47,080	47,080	47,162
XS0973201444	Fixed	1.83	USD	20.09.2013	24.03.2014	185	41,516	41,512	41,731
XS0997543896	Fixed	1.49	USD	22.11.2013	28.05.2014	187	23,540	23,534	23,574
XS0974147695	Fixed	1.66	USD	23.09.2013	06.01.2014	105	38,306	38,302	38,482
XS1000211968	Fixed	1.3	USD	04.12.2013	06.03.2014	92	118,984	118,984	119,104
XS1008673540	Fixed	1.59	USD	24.12.2013	23.06.2014	181	85,600	85,596	85,626
XS0943035328	Floating	1.53	EUR	14.06.2013	16.06.2014	367	29,489	29,445	29,720
XS0942820803	Fixed	1	CHF	12.06.2013	13.06.2014	366	27,914	27,900	28,065
Total							6,857,501	6,733,471	6,820,735

4. Components of "other external resources payable" in the consolidated financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments.

Other external resources payable in the consolidated financials do not exceed 10% of total liabilities and equity.

5. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Obligations under finance leases

None.

6. Information on derivative financial liabilities held for risk management purpose

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

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7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	1,326,468	1,004,336
-Additional provision for loans with extended payment plans	26,989	13,327
Provisions for loans and receivables in Group II	175,204	105,037
-Additional provision for loans with extended payment plans	14,696	3,297
Provisions for non-cash loans	93,418	76,647
Others	8,152	4,719
Total	1,603,242	1,190,739

Provision for currency exchange gain/loss on foreign currency indexed loans

As at 31 December 2014 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 12,048 (31 December 2013: TL 90) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified or converted to cash

As of 31 December 2014, the Bank has recorded TL 63,030 (31 December 2013: TL 54,771) as specific provisions for non-cash loans that are not indemnified or converted into cash.

Information on insurance technical provisions

	Current Period	Prior Period
Unearned Premiums Provision	646,856	617,339
Outstanding Losses Provision	950,292	602,086
Mathematical Provision	44,010	319,739
Other	1,554	11,214
Total	1,642,712	1,550,378

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior Period
Provisions for credits	105,005	65,960
Provision for loans under follow-up	-	70,915
Specific provisions for non-cash loans	63,030	54,771
Provision for World Vakif UBB Ltd with regard to its negative equity	-	38,510
Provision for cheques	37,556	27,825
Provisions for lawsuits against the Group	16,142	16,023
Provisions for credit card promotions	10,177	9,469
Other provisions	6,962	6,648
Total	238,872	290,121

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8. Taxation

Current Taxes

Tax provision

As at and for the year ended 31 December 2014, the tax liability of the Group is amounting to TL 249,673 (31 December 2013: TL 61,399).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	249,673	61,399
Taxation on securities	123,184	89,264
Capital gains tax on property	2,176	1,903
Banking and Insurance Transaction Tax (BITT)	59,943	44,929
Taxes on foreign exchange transactions	-	-
Value added tax payable	3,538	4,360
Others	35,796	32,870
Total	474,310	234,725

Information on premiums payable

	Current Period	Prior Period
Social security premiums-employee share	757	656
Social security premiums-employer share	1,781	1,538
Bank pension fund premium-employee share	-	-
Bank pension fund premium-employer share	-	-
Pension fund membership fees and provisions-employee share	2	3
Pension fund membership fees and provisions-employer share	-	-
Unemployment insurance-employee share	622	590
Unemployment insurance-employer share	1,308	1,237
Others	7	8
Total	4,477	4,032

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

10. Information on subordinated loans

The Bank has issued bond having the secondary subordinated loan quality to be sold non-resident natural and legal persons. The bond has been issued at the nominal value of USD 500 million and in addition to the issuance of this bond, on 3 December 2012 the Bank has realized second tranche at nominal value of USD 400 million, has the maturity of 10 years and 6.0% coupon rate, USD 900 million nominal value in total.

The Parent Bank has obtained written permission of the BRSA for accounting these bonds as secondary subordinated debt and accordingly considering in the calculation of supplementary capital in compliance with the "Regulation on Capitals of the Banks" published on "1 November 2006 dated and 26333 numbered Official Gazette.

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11. Information on shareholders' equity

Paid-in capital

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	5,000,000

The registered capital ceiling was increased from TL 1,300,000 to TL 5,000,000 as per the resolution no. 74202 dated 16 February 2006 by the Board of Directors.

Information on share capital increases and their sources; other information on any increase in capital shares during the current year

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following year

None.

Previous period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	62,289	-	52,966	-
Fair value differences of available-for-sale securities	178,440	280,801	(325,543)	122,858
Foreign exchange differences	-	-	-	-
Total	240,729	280,801	(272,577)	122,858

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III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Period	Prior Period
Commitments for credit card limits	7,641,987	6,261,117
Loan granting commitments	8,068,201	6,739,356
Commitments for cheque payments	1,638,976	1,320,438
Asset purchase commitments	2,686,862	4,175,776
Other	759,783	682,963
Total	20,795,809	19,179,650

Type and amount of possible losses from off-balance sheet items

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Parent Bank provided specific provision amounting to TL 63,030 (31 December 2013: TL 54,771) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 129,638 (31 December 2013: TL 114,834).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	7,737,748	6,262,616
Letters of guarantee for advances	2,603,790	2,617,441
Letters of guarantee given to custom offices	913,389	650,221
Provisional letters of guarantee	1,107,255	780,782
Other letters of guarantee	9,096,625	7,590,763
Total	21,458,807	17,901,823

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,905,607	1,424,617
With original maturity of 1 year or less	1,846,045	915,858
With original maturity of more than 1 year	1,059,562	508,759
Other non-cash loans	25,769,440	21,982,089
Total	28,675,047	23,406,706

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3. Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	86,506	0.51	266,929	2.27	82,111	0.57	102,147	1.13
Farming and cattle	77,673	0.46	257,069	2.18	73,609	0.51	88,829	0.98
Forestry	7,898	0.05	7,540	0.06	6,919	0.05	11,003	0.12
Fishing	935	0.01	2,320	0.02	1,583	0.01	2,315	0.03
Manufacturing	7,150,408	42.33	5,753,926	48.84	6,294,048	43.89	4,055,439	44.73
Mining	168,108	1.00	29,069	0.25	157,070	1.10	65,192	0.72
Production	4,563,948	27.01	5,319,615	45.15	3,598,968	25.10	3,836,908	42.32
Electric, gas and water	2,418,352	14.32	405,242	3.44	2,538,010	17.69	153,339	1.69
Construction	2,996,610	17.74	2,520,479	21.39	2,676,835	18.67	2,194,165	24.20
Services	6,226,616	36.86	2,761,969	23.44	4,954,666	34.55	2,666,356	29.41
Wholesale and retail trade	2,580,882	15.29	1,597,908	13.56	1,995,623	13.92	1,149,683	12.69
Hotel, food and beverage services	125,417	0.74	5,691	0.05	100,888	0.70	19,908	0.22
Transportation and telecommunication	963,436	5.70	1,058,971	8.99	833,163	5.81	1,405,673	15.50
Financial institutions	1,515,987	8.97	11,802	0.10	1,344,214	9.37	38,324	0.42
Real estate and renting services	254,056	1.50	24,277	0.21	185,000	1.29	14,871	0.16
Self-employment services	591,814	3.50	44,703	0.38	373,920	2.61	24,229	0.27
Education services	24,595	0.15	3,903	0.03	15,556	0.11	1,644	0.02
Health and social services	170,429	1.01	14,714	0.12	106,302	0.74	12,024	0.13
Others	432,810	2.56	478,794	4.06	332,451	2.32	48,488	0.53
Total	16,892,950	100.00	11,782,097	100.00	14,340,111	100.00	9,066,595	100.00

4. Information on the non-cash loans classified as first and second group

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	16,653,687	4,555,638	113,427	8,262
Confirmed bills of exchange and acceptances	20,836	1,943,257	-	-
Letters of credit	-	5,212,911	-	-
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	29,765	5,023	-	-
Other guarantees and sureties	-	2,603	-	-
Total Non-Cash Loans	16,704,288	11,719,432	113,427	8,262

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	14,118,035	3,579,601	85,579	5,476
Confirmed bills of exchange and acceptances	12,129	1,039,635	-	514
Letters of credit	7,866	4,381,798	-	232
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	52,069	6,666	-	-
Other guarantees and sureties	-	1,919	-	-
Total Non-Cash Loans	14,190,099	9,009,619	85,579	6,222

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5. Information on derivative transactions

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	22,773,909	18,988,231
Currency Forwards	555,204	1,334,135
Currency Swaps	21,162,157	17,313,236
Currency Futures	-	-
Currency Options	1,056,548	340,860
Interest Rate Derivative Transactions (II)	7,478,238	4,146,151
Interest Rate Forwards	-	-
Interest Rate Swaps	7,478,238	4,145,148
Interest Rate Options	-	-
Investment Security Options	-	1,003
Interest Rate Futures	-	-
Other Trading Derivatives (III)	6,780,167	3,962,577
A. Total Trading Derivatives (I+II+III)	37,032,314	27,096,959
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	37,032,314	27,096,959

	31 December 2014					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	8,805,023	2,322,843	234,800	389,279	-	11,751,945
Sale	4,120,339	2,317,964	237,650	383,615	-	7,059,568
Currency forwards:						
Purchase	99,142	68,619	71,286	38,774	-	277,821
Sale	99,070	68,502	71,136	38,675	-	277,383
Cross currency interest rate swaps:						
Purchase	63,456	58,000	-	1,172,493	-	1,293,949
Sale	46,667	37,825	-	972,203	-	1,056,695
Interest rate swaps:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	1,202,149	2,536,970	3,739,119
Options:						
Purchase	242,712	90,791	194,771	-	-	528,274
Sale	242,710	90,790	194,774	-	-	528,274
Others:						
Purchase	158,020	-	-	-	994,287	1,152,307
Sale	4,931,860	-	-	-	696,000	5,627,860
Total purchases	9,368,353	2,540,253	500,857	2,802,695	3,531,257	18,743,415
Total sales	9,440,646	2,515,081	503,560	2,596,642	3,232,970	18,288,899
Total	18,808,999	5,055,334	1,004,417	5,399,337	6,764,227	37,032,314

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	31 December 2013					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	6,466,775	2,235,281	536,697	151,078	-	9,389,831
Sale	3,732,391	993,337	535,505	144,173	-	5,405,406
Currency forwards:						
Purchase	224,713	147,847	294,718	-	-	667,278
Sale	224,586	147,772	294,499	-	-	666,857
Cross currency interest rate swaps:						
Purchase	-	353,100	107,000	936,756	-	1,396,856
Sale	-	250,998	77,250	792,895	-	1,121,143
Interest rate swaps:						
Purchase	-	-	-	1,044,578	1,027,996	2,072,574
Sale	-	-	-	1,044,578	1,027,996	2,072,574
Options:						
Purchase	32,224	14,002	124,204	-	-	170,430
Sale	32,224	14,002	124,204	-	-	170,430
Investment security options:						
Alım	1,000	-	-	-	3	1,003
Satım	2,724,841	1,237,736	-	-	-	3,962,577
Total purchases	6,724,712	2,750,230	1,062,619	2,132,412	1,027,999	13,697,972
Total sales	6,714,042	2,643,845	1,031,458	1,981,646	1,027,996	13,398,987
Total	13,438,754	5,394,075	2,094,077	4,114,058	2,055,995	27,096,959

6. Contingent assets and liabilities

Bank allocates TL 16,142 as provision for lawsuits against Bank (31 December 2013: TL 16,023).

7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

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IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	2,771,751	160,053	2,020,149	157,907
Medium and long-term loans	5,275,500	1,008,781	4,473,542	816,746
Loans under follow-up	177,155	-	151,397	-
Premiums received from resource utilization support fund	-	-	-	-
Total	8,224,406	1,168,834	6,645,088	974,653

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	60,054	2,029	50,788	3,031
Foreign banks	207	5,017	78	3,129
Foreign head office and branches	-	-	-	-
Total	60,261	7,046	50,866	6,160

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	9,634	1,619	14,045	864
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,275,394	214,270	996,648	201,659
Investments held to maturity	559,880	444	402,262	1,116
Total	1,844,908	216,333	1,412,955	203,639

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Interest expenses on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	71,661	152,358	21,684	143,802
Central Bank of Turkey	-	-	-	-
Domestic banks	41,045	6,331	19,281	10,682
Foreign banks	30,616	146,027	2,403	133,120
Foreign head offices and branches	-	-	-	-
Other institutions	-	18,990	-	10,266
Total	71,661	171,348	21,684	154,068

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Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	14,782	16,033

Interest expense on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	214,445	231,270	147,363	110,395

Maturity structure of the interest expense on deposits

Account Name	Current Period-Time Deposits							Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TL									
Interbank deposits	-	144,829	-	-	-	-	-	-	144,829
Saving deposits	1,486	23,258	1,597,668	133,101	26,634	12,984	-	-	1,795,131
Public sector deposits	5,891	174,376	427,267	64,521	137,018	15,261	-	-	824,334
Commercial deposits	368	267,851	998,645	87,997	15,599	3,915	-	-	1,374,375
Other deposits	1	45,643	278,655	43,453	33,667	1,661	-	-	403,080
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	7,746	655,957	3,302,235	329,072	212,918	33,821	-	-	4,541,749
FC									
Foreign Currency Deposits	29,724	21,210	246,798	41,698	39,556	106,466	-	-	485,452
Interbank deposits	-	16,735	-	-	-	-	-	-	16,735
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-	-
Total	29,724	37,945	246,798	41,698	39,556	106,466	-	-	502,187
Grand Total	37,470	693,902	3,549,033	370,770	252,474	140,287	-	-	5,043,936

Account Name	Prior Period-Time Deposits							Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TL									
Interbank deposits	-	60,848	-	-	-	-	-	-	60,848
Saving deposits	16	14,008	1,051,181	143,107	33,770	10,949	-	-	1,253,031
Public sector deposits	336	99,774	419,263	51,417	23,920	1,892	-	-	596,602
Commercial deposits	63	140,738	544,528	127,197	48,747	4,846	-	-	866,119
Other deposits	3	31,115	162,324	58,773	54,161	1,206	-	-	307,582
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	418	346,483	2,177,296	380,494	160,598	18,893	-	-	3,084,182

FC									
Foreign Currency Deposits	3,590	16,343	228,699	50,142	37,279	95,224	-	-	431,277
Interbank deposits	-	27,950	-	-	-	-	-	-	27,950
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-	-
Total	3,590	44,293	228,699	50,142	37,279	95,224	-	-	459,227
Grand Total	4,008	390,776	2,405,995	430,636	197,877	114,117	-	-	3,543,409

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3. Dividend Income

	Current Period	Prior Period
Trading financial assets	19	-
Financial assets at fair value through profit or loss	-	5
Available-for-sale financial assets	2,247	144
Others	9,963	16,280
Total	12,229	16,429

4. Trading income/losses

	Current Period	Prior Period
Income	6,426,056	5,813,655
Income from capital market transactions	2,430,715	198,383
Income from derivative financial instruments	1,408,759	979,332
Foreign exchange gains	2,586,582	4,635,940
Losses	(6,177,261)	(5,556,387)
Losses from capital market transactions	(2,254,642)	(8,076)
Losses from derivative financial instruments	(1,447,948)	(913,428)
Foreign exchange losses	(2,474,671)	(4,634,883)
Trading income/losses, net	248,795	257,268

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 8,179 as at and for the year ended 31 December 2014 (31 December 2013: net gain of TL 29,600).

5. Other operating income

	Current Period	Prior Period
Income from reversal of the impairment losses	707,442	457,762
Earned insurance premiums (net of reinsurance share)	663,935	649,142
Communication income	85,302	85,215
Gain on sale of assets	385,471	53,924
Income from private pension business	48,626	38,266
Rent income	529	2,050
Other income	228,486	178,903
Total	2,119,791	1,465,262

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6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	1,194,633	1,306,590
<i>Loans and receivables in Group III</i>	181,529	281,208
<i>Loans and receivables in Group IV</i>	774,152	969,808
<i>Loans and receivables in Group V</i>	238,952	55,574
Non-performing commissions and other receivables	-	-
General provision expenses	413,501	234,417
Provision for possible losses	-	8,871
Impairment losses on securities	15,573	88,630
<i>Trading securities</i>	5,171	-
<i>Investment securities available-for-sale</i>	10,402	88,630
Other impairment losses	25,278	53,581
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	25,278	53,581
Others ⁽¹⁾	98,680	120,520
Total	1,747,665	1,812,609

⁽¹⁾ Other provision expenses amounting to TL 98,680 (31 December 2013: TL 120,520) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 38,176 (31 December 2013: TL 49,501), other provision expenses related to loans amounting to TL 39,045 (31 December 2013: TL 30,750) and other provision expenses amounting to TL 21,459 (31 December 2013: TL 40,269).

7. Other operating expenses

	Current Period	Prior Period
Personnel costs	1,386,610	1,236,020
Reserve for employee termination benefits	11,070	19,045
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	114,988	109,670
Impairment losses on intangible assets	-	-
Amortisation expenses on intangible assets	15,974	13,820
Impairment losses on assets to be disposed	2,115	4,000
Depreciation expenses on assets to be disposed	12,743	10,773
Impairment losses on assets held for sale	-	484
Other operating expenses	1,567,282	1,275,794
<i>Operational lease related expenses</i>	190,247	163,719
<i>Repair and maintenance expenses</i>	33,778	26,286
<i>Advertisement expenses</i>	76,278	98,096
<i>Other expenses</i>	1,266,979	987,693
Loss on sale of assets	4,951	1,106
Others ⁽¹⁾	787,872	787,221
Total	3,903,605	3,457,933

⁽¹⁾ Other operating expenses amounting to TL 787,872 (31 December 2013: TL 787,221) is comprised of provision expenses for dividends to the personnel amounting to TL 129,797 (31 December 2013: TL 118,800), tax, fees and funds expenses amounting to TL 113,797 (31 December 2013: TL 87,311), Saving Deposits Insurance Fund expenses amounting to TL 93,190 (31 December 2013: TL 91,780) and other operating expenses amounting to TL 451,088 (31 December 2013: TL 489,330).

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8. Information on income/loss from continuing and discontinued operations

The Group has no discontinued operations. Detailed tables and information on profit before tax from continuing operations are presented in disclosures 1-7 in this section.

9. Information on tax provision from continuing and discontinued operations

The Group has no discontinued operations. Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section.

10. Information on net profit/loss from continuing and discontinued operations

The Group has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section.

11. Provision for taxes on income

Current year taxation benefit or charge and deferred tax benefit or charge

In the current year, the Group recorded a tax provision of TL 612,250 (31 December 2013: TL 351,394) from the net taxable profit calculated in accordance the loss and regulations in effects.

Deferred tax charge arising from temporary differences, tax losses and unused tax credits

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination/(Reversal) of Deductible Temporary Differences	63,170	(41,652)
Arising from (Origination)/Reversal of Taxable Temporary Differences	71,065	(20,205)
Arising from Origination/(Reversal) of Tax Losses	-	11,120
Arising from Change in Tax Rate	-	-
Total	134,235	(50,737)

12. Net profit and loss

Any further explanation on operating results needed for a proper understanding of the Bank's performance

Group has earned TL 11,664,524 interest income and TL 674,456 net fee and commission income also incurred TL 6,809,744 amount of interest expense from its ordinary banking operations (31 December 2013: TL 9,440,435 interest income, TL 629,107 net fee and commission income, TL 4,553,280 interest expense).

Any changes in estimations that might have a material effect on current and subsequent year results

None.

13. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	8,166	(24,295)

14. Information related to the components of other items in the income statement exceeding 10% of the group total, or 20% of the sub-accounts belonging to this group

Other fees and commission income of the Group mainly consist of credit card fees and commissions, receipt and payment commissions, money transfer commissions, research fees.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks.

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V. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Information on increases of valuation differences of available-for-sale investments

Movement tables related to valuation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation differences of marketable securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(202,685)	757,401
Fair value changes in the current year	616,312	(798,682)
Effect of deferred and corporate taxes	(119,922)	91,747
Valuation differences transferred to the statement of income	210,155	(246,869)
Effect of deferred and corporate taxes	(42,031)	(6,282)
Valuation differences at the end of the year	461,829	(202,685)
Valuation difference of the subsidiaries and affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	52,966	(36,590)
Fair value changes in the current year	7,498	90,100
Effect of deferred and corporate taxes	(763)	(544)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	59,701	52,966

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

As at 31 December 2014, foreign currency translation differences amounting of TL (15,664) (31 December 2013: TL 73,162), arising as a result of the conversion of the financial statements of the foreign subsidiaries into TL, have been booked under other reserves in the consolidated financial statements.

4. Information on differences in equity accounts due to inflation accounting

In compliance with BRSA's Circular on 28 April 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at 31 December 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Parent Bank has increased its paid in capital through "other capital reserves" by TL 605,763.

5. Information on profit distribution

As per the resolution of 60th Annual General Assembly held on 28 March 2014, it was decided to distribute the net profit of the year 2013 after the deduction of deferred tax income amounting to TL 1,585,539 as legal reserves amounting to TL 158,556, dividends to equity holders of the Bank amounting to TL 100,000, extraordinary reserves amounting to TL 1,325,482 and special funds amounting to TL 1,501.

6. Information on increases of valuation differences of available-for-sale investments

Valuation differences of available-for-sale financial assets has increased in the current year. Detailed information about the increase is explained below in Note 1.

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VI. INFORMATION AND DISCLOSURES ON CONSOLIDATED STATEMENT OF CASH FLOWS

1. Disclosures for "other" items in the consolidated statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

"Other" balance under the "Operating profit before changes in operating assets and liabilities" amounting to TL (1,915,812) (31 December 2013: TL (221,790)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

"Net increase/decrease in other liabilities" amounting to TL 1,948,810 (31 December 2013: TL 6,972,033) under "Changes in operating assets and liabilities" is mainly comprised of cash inflows from repurchase agreements.

"Other" balance under the "Net cash flow from investing activities" amounting to TL (44,008) (31 December 2013: TL (38,870)) is comprised of intangibles asset purchases.

Since unrealized gains and losses arising from foreign exchange rate changes are not regarded as cash flows, the effect of changes in foreign exchange rate on cash and cash equivalents in foreign currency has been calculated as TL 4,539 (31 December 2013: TL (9,013)) and presented in the statement of cash flows in order to reconcile cash and cash equivalents balances at the beginning and end of the year.

2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures

In the current period, Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board's temporary clause 1 of "Comminique on Securities Investment Associations" (III-48.2). In the capital increase, Bank's nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, Bank's total nominal share has increased to TL 4,579 and share proportion has increased to 22.89%.

In the current period, at the Extraordinary General Assembly of Taksim Otelcilik AŞ dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share proportion of the Bank is remained the same (51.001%). TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014.

In the current period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company's capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank's share proportion has been increased from 27.63% to 38.70%.

In the current period, subsequent to the approval of the decision of the capital of İstanbul Takas ve Saklama Bankası in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, an associate of the Bank, has been increased from TL 420,000 to TL 600,000, TL 120,000 is paid from bonus shares and TL 60,000 is paid in cash amounting to TL 180,000 in total. The share of the Bank amounting to TL 3,230 is presented as bonus shares received in the movement table of investments in associates. The stock right in cash capital commitment has been removed related to the capital increase, Bank's share has been decreased from 4.86% to %4.37.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,300 to TL 1,500 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014.

3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

There is not any associate, subsidiary or joint-venture disposed in the current and prior year.

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4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Current Period 31 December 2013	Prior Period 31 December 2012
Cash on hand	1,156,445	983,020
Cash in TL	867,546	793,004
Cash in Foreign Currency	288,899	190,016
Cash equivalents	4,931,458	4,392,777
CBT	17,793,235	11,323,157
Banks	3,158,351	2,656,490
Receivables from money markets	5,095	6,645
Others	25,502	25,317
Loans and advances to banks having maturity of more than 3 months	(13,260)	(191,913)
Restricted cash and cash equivalents	(16,036,144)	(9,423,459)
Income accruals on cash equivalents	(1,321)	(3,460)
Total	6,087,903	5,375,797

Information on cash and cash equivalents at the end of the year

	Current Period 31 December 2014	Prior Period 31 December 2013
Cash on hand	1,376,838	1,156,445
Cash in TL	1,014,282	867,546
Cash in Foreign Currency	362,556	288,899
Cash equivalents	7,814,067	4,931,458
CBT	20,440,692	17,793,235
Banks	3,568,508	3,158,351
Receivables from money markets	9,502	5,095
Others	73,551	25,502
Loans and advances to banks having maturity of more than 3 months	(6,045)	(13,260)
Restricted cash and cash equivalents	(16,266,786)	(16,036,144)
Income accruals on cash equivalents	(5,355)	(1,321)
Total	9,190,905	6,087,903

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBT amounting to TL 16,156,474 as at 31 December 2014 (31 December 2013: TL 15,826,492) has not been included in cash and cash equivalents.

Group's deposits amounting to TL 110,168 (31 December 2013: TL 344,816) are blocked due to securitization loans of the Parent Bank and other ordinary banking operations.

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VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

I. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current year

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	13	659,911	-	27,065	26,102	24,339
Balance at the end of the year	16	657,200	-	10,174	6,239	13,086
Interest and commission income	-	401	-	21	774	68

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	-	552,273	-	37,919	9,372	13,136
Balance at the end of the year	13	659,911	-	27,065	26,102	24,339
Interest and commission income	-	356	-	14	679	11

Information on deposits held by the Parent Bank's risk group

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	419,918	817,244	968,601	443,103	46,793	76,597
Balance at the end of the year	187,127	419,918	713,966	968,601	115,831	46,793
Interest on deposits	14,782	16,033	60,168	25,286	2,340	5

Information on forward and option agreements made with the Parent Bank's risk group

None.

2. Disclosures of transactions with the Parent Bank's risk group

Relations with entities in the risk group of/or controlled by the Bank

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

The branches of the Bank engage with insurance agency activities in relation with the operations of Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, subsidiaries operating in the insurance sector. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

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In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.01% (31 December 2013: 0.03%) and 2.37% (31 December 2013: 3.26%) respectively.

Current Period	Amount	Compared with the Financial	
		Statement	Amount %
Cash Loans	6,255		0.01
Non-Cash Loans	680,460		2.37
Deposits	1,016,924		1.09

Prior Period	Amount	Compared with the Financial	
		Statement	Amount %
Cash Loans	26,115		0.03
Non-Cash Loans	711,315		3.26
Deposits	1,435,312		1.83

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK

Domestic and foreign branches and representative offices of the Parent Bank

	Number of Branches	Number of Employees	Country		
Domestic Branches ^(*)	890	14,879			
Foreign Representative Offices	-	-			
				Total Assets	Capital
Foreign Branches	1	22	USA	3,230,484	38,280
	1	16	Iraq	146,908	16,240
Off-shore Branches	1	3	Bahrain	15,475,104	-

(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure of the Parent Bank

During 2014, 34 domestic (during 2013: 115 domestic) new branches have been opened and no branches have been closed (during 2013: None).

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

None.

II. INFORMATION ON THE PARENT BANK'S RATING GIVEN BY INTERNATIONAL INSTITUTIONS

December 2014 ^(*)	Moody's Investors' Service
Financial Strength Rating	D+ (ba1)
Local Currency Deposit Rating	Baa3/P-3
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Baa3/P-3
Foreign Currency Outlook	Negative
June 2014 ^(*)	Standard & Poors
Foreign Currency Credit Rating	BB+/B
Local Currency Credit Rating	BB+/B
National	trAA+/trA-1
Continuance Rating	NR
December 2014 ^(*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB+
Support Rating	2
Outlook	Stable
January 2015 ^(*)	Fitch Ratings
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
National Long Term	AAA (tur)
National Outlook	Stable
Support	2
Base Support Rating	BBB-

^(*) Dates represent the last report dates.

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III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

The Parent Bank has issued bond having the secondary subordinated loan (Tier-II) on January 2015 amounting to US Dollar 500 million with maturity date 3 February 2025 (10 years 1 day maturity) that has an option to mature on 3 February 2020 with twice interest payment at a coupon rate of 6.875% and issue return rate of 6.95%.

At the resolution of the Board of Directors dated 2 January 2015, it has been decided to submit to the approval of shareholders in the first Ordinary Meeting of the General Assembly to increase registered capital ceiling from TL 5,000,000,000 to TL 10,000,000,000 and to change the related clause 7 of Bank’s Articles of Association related to capital. Authorization has been given to General Directorate to make the required applications to the establishments, Capital Markets Board (CMB) being in the first place.

The Parent Bank’s bond issuance with a nominal value of TL 200 million at maturity date 15 May 2015 (119 days maturity) and public offering has been carried out on 12-13-14 January 2015 using book-building method.

The above issuance has been finalized. The nominal value of the bond has been determined as TL 136,882,419 at maturity date 15 May 2015 (119 days maturity) with compound interest rate 8.4444% and simple interest rate 8.2148%. The ISIN code of the bond has been determined as TRQVKFB51545 with issue price of 97.392.

IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE SUBSEQUENT TO REPORTING DATE

None.

SECTION SEVEN

INDEPENDENT AUDITORS’ AUDIT REPORT

I. INFORMATION ON THE INDEPENDENT AUDITORS’ AUDIT REPORT

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the year ended 31 December 2014, have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of PricewaterhouseCoopers). It was noted in their audit report dated 27 February 2015 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the year ended 31 December 2014.

II. DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

ASSESSMENT OF THE ASSETS

In 2014, VakıfBank increased its assets to TL 158.2 billion growing by 16.77%, and kept its "ratio of interest bearing assets to total assets" at 83.62% by maintaining its healthy asset structure. In 2014, 66.49% of the total assets were composed of assets in Turkish Liras while 33.51% was composed of assets in foreign currency.

Increasing loans, the fundamental brokerage function of the banking sector, by 20.63% to TL 104.3 billion made the most important contribution to VakıfBank's asset growth in 2014. Increasing its commercial loans by 27.65% with the big step taken forward in SME loans which are very important for growth strategies, VakıfBank increased its personal loans by 7.75%, mortgage loans by 7.63%, and installment consumer loans by 12.35%.

VakıfBank's portfolio of securities increased by 6.85% and reached TL 23.2 million while its ratio in the assets was 14.65% in 2014 compared to the previous year.

ASSESSMENT OF THE LIABILITIES

In 2014, the portion of the deposits – one of the important sources of fund – in the liabilities decreased from 60.17% to 57.99%. VakıfBank, while increasing its total amount of deposits by 12.54% to TL 91.8 billion; increased the amount of its demand deposits by 22.93% and its term deposits by 10.45%. As a consequence, term-demand deposit balance was 83.23% – 16.77% in 2013. This balance was 81.68% – 18.32% in 2014. At 2014 yearend, while the 71.61% of the total deposits was in TL, 28.39% was in FX.

In 2014, VakıfBank made important progress to generate funds from non-deposit sources. The domestic and foreign investors' demand for the securities issued by the Bank, made a contribution to the diversification of fund sources and the extension of the maturity structure. VakıfBank started issuing securities in 2011 and continued to issue securities with different maturities and types (bonds, treasury bills and similar marketable securities) in 2014 as well.

The equity capital of VakıfBank increased to TL 14.8 billion. The portion of equity capital in total liabilities reached 9.34% in 2014.

ASSESSMENT OF THE PROFITABILITY

In 2014, VakıfBank's net period profit for the period reached TL 1,753 million increasing by 10.58%. The increase in other operating income due to our Bank's high collection of non-performing loans in 2014, and the decrease in the provision for impairment of receivables and loans had an impact on the increase of the net profit for the period.

In the mentioned period, interest revenue reached TL 11.4 billion increasing by 23.35%. On the other hand, interest expense was TL 6.7 billion increasing by 51.71% in the related period. Net fee and commission revenue reached TL 709 million increasing by 3.32% compared to the previous year's same period. There was 89.96% increase in other operating income, and 12.77% increase in other operating expenses. In 2014 yearend, VakıfBank's average return on equity was 12.80% and average return on assets was 1.19%.

Despite the fact that VakıfBank did not sell any of its assets or make deletion from assets, decline in the ratio of non-performing loans in total loans (NPL ratio) continued due to the decrease in transfers to non-performing loans, and increase in collections respect to previous year. In an environment where the ratio of the provision set aside by banks for non-performing loans has decreased, VakıfBank achieved its profitability figures by increasing its provision ratio – which is already higher than the sector – in a conservative manner.

Moreover, authorization was granted to the General Directorate to sell the 1.367.330 Mastercard Inc shares, and 86.714 Visa Inc. shares that are monitored under the "Securities Available for Sale Account" in the balance sheet of VakıfBank. The process was completed as the mentioned shares were sold. As a consequence of the sale of Visa Inc. shares and Mastercard Inc. shares, US\$ 139.499.797 in total – US\$ 22.783.751 from the sale of Visa Inc. shares and US\$ 116.716.046 from the sale of Mastercard Inc. shares – was transferred to VakıfBank accounts and this had a positive impact on the profitability.

POWER FOR DEBT PAYMENT

In 2014, VakıfBank, by realizing the portion of interest earning assets in the total assets at 82.62%, maintained its strong liquidity structure and debt payment ability.

VakıfBank's capital adequacy ratio of 13.96% was above the legal threshold and target.

VakıfBank's strong correspondent network is built on a foundation of ongoing mutual trust and a solid reputation in international markets. The Bank maintains a leading position in the sector by adjusting to changing global market conditions and increasing the quality of service provided to customers while offering long-term funding solutions to meet their financing needs. VakıfBank plays an important role in Turkey's foreign trade and in international markets. Thus, in April 2014, with the participation of 35 banks, VakıfBank secured total syndicated loan of US\$ 995 million with a maturity of one year in two tranches; US\$ 270.5 million and EUR 525 million. The total cost of the loan obtained in order to use for financing foreign trade was Libor/Euribor +0.90%. On the other hand, in the second half of 2014, with the participation of 26 banks, VakıfBank secured one-year syndicated loan with a total amount of US\$ 802 million, in two tranches: US\$ 168.5 million and EUR 578.75 million. Total syndicated loans secured in 2014 reached an amount equivalent to US\$ 1.85 billion.

Seeing customers as the most important source of funds, VakıfBank plans to continue growing by offering products and services that best meet their needs in the coming years.

INTERNATIONAL CREDIT RATINGS

Standard & Poor's ^(*) (June, 2014)

Foreign Currency Credit	BB+ / Negative / B
Local Currency Credit	BB+ / Negative / B
National Rating	trAA+/-/trA-1
Continuity Rating	NR

Moody's ^(*) (December, 2014)

Bank Financial Strength (Bank Credit Evaluation)	D + (ba1)
Local Currency Deposit	Baa3/P-3
Local Currency Outlook	Negative
Foreign Currency Deposit	Baa3/P-3
Foreign Currency Outlook	Stable

Fitch Ratings ^(*) (January, 2015)

Long-Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Stable
Long Term Local Currency	BBB
Short Term Local Currency	F3
Local Currency Outlook	Stable
Long-Term National	AAA (tur)
National Outlook	Stable
Support Rating	2
Support Rating Floor	BBB-
Financial Capacity Rating	bbb-

Capital Intelligence ^(*) (December, 2014)

Financial Strength	BBB-
Short-Term Foreign Currency	B
Long-Term Foreign Currency	BB+
Support Rating	2
Outlook	Stable

^(*) Most recent dates of changes in credit ratings and outlooks.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

Assets (TL million)

	2010	2011	2012	2013	2014	Change (%) 2013-2014
Cash and banks (including Interbank money markets)	8,020	9,457	14,283	21,607	24,456	13.18
Securities portfolio	18,072	19,111	18,381	21,692	23,179	6.85
Loans	44,836	57,201	67,868	86,496	104,343	20.63
Commercial loans	29,947	36,097	43,607	56,009	71,493	27.65
Retail loans	14,890	21,104	24,261	30,488	32,851	7.75
Non-performing loans (net)	25	109	265	256	240	-6.22
Non-performing loans (gross)	2,266	2,157	2,725	3,531	3,974	12.54
Special provisions (-)	2,241	2,048	2,460	3,275	3,734	14.01
Affiliates and subsidiaries	895	865	1,310	1,611	1,737	7.82
Tangible fixed assets	1,114	1,094	1,135	1,224	1,455	18.91
Other assets	1,000	1,350	1,339	2,610	2,808	7.59
Total	73,962	89,184	104,580	135,496	158,218	16.77

Liabilities (TL million)

	2010	2011	2012	2013	2014	Change (%) 2013-2014
Deposits	47,701	60,939	67,242	81,533	91,757	12.54
Term deposits	40,424	51,872	56,332	67,856	74,944	10.45
Demand deposits	7,277	9,067	10,910	13,677	16,813	22.93
Money markets	8,128	5,940	8,490	14,477	16,385	13.18
Funds borrowed	6,327	8,237	7,475	11,405	14,927	30.88
Subordinated loans	0	0	1,640	1,974	2,138	8.30
Securities issued	0	495	2,430	6,885	10,458	51.90
Provisions	990	1,283	1,641	2,014	2,437	20.99
Shareholders' equity	8,559	9,298	11,918	12,616	14,772	17.08
Paid-in capital	2,500	2,500	2,500	2,500	2,500	0.00
Profit or loss	1,157	1,227	1,460	1,586	1,753	10.58
Retained earnings or loss	0	0	0	0	0	-
Net profit or loss	1,157	1,227	1,460	1,586	1,753	10.58
Other liabilities	2,256	2,291	3,743	4,592	5,344	16.38
Total	73,962	89,184	104,580	135,496	158,218	16.77

Profit / Loss (TL million)

	2010	2011	2012	2013	2014	Change (%) 2013-2014
Interest income	5,883	6,501	8,757	9,221	11,374	23.35
Interest expense	3,153	3,607	4,672	4,431	6,722	51.71
Net interest income	2,730	2,894	4,085	4,790	4,651	-2.88
Net fee and commission income	443	559	448	687	709	3.32
Dividend income	35	45	57	54	66	22.75
Capital market trading profit (net)	295	61	225	259	124	-52.32
Foreign exchange profit (net)	21	-22	111	-27	100	463.42
Other operating income	601	885	625	708	1,346	89.96
Total operating income	4,126	4,422	5,551	6,470	6,996	8.12
Provisions for loans and other receivables (-)	973	906	1,404	1,857	1,672	-9.98
Other operating expenses (-)	1,690	1,941	2,261	2,630	3,110	18.26
Operating profit	1,463	1,575	1,885	1,983	2,214	11.64
Net monetary position profit or loss	0	0	0	0	0	-
Profit before tax	1,463	1,575	1,885	1,983	2,214	11.64
Tax provision (-)	306	348	425	397	460	15.86
Net profit or loss for the period	1,157	1,227	1,460	1,586	1,753	10.58

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

Key Ratios (%)

	2010	2011	2012	2013	2014	Sector (4)
Securities / Total Assets	24.4	21.4	17.6	16.3	14.6	15.2
Loans / Total Assets	60.6	64.1	64.9	63.8	65.9	62.2
Loans / Deposits	94.0	93.9	100.9	106.1	113.7	117.9
Retail Loans / Loans	33.2	36.9	35.7	35.2	31.5	28.7
Non-performing Loans / Total Loans (1)	4.8	3.6	3.9	3.9	3.7	2.9
Deposits / Total Liabilities	64.5	68.3	64.3	60.2	58.0	52.8
Demand Deposits / Total Deposits	15.3	14.9	16.2	16.8	18.3	18.9
Shareholders' Equity / Total Liabilities	11.6	10.4	11.4	9.3	9.3	11.6
Funds Borrowed / Total Assets	8.6	9.2	7.1	8.4	9.4	16.1
Capital Adequacy Ratio	14.4	13.4	16.1	13.7	13.7	16.3
Return on Average Assets (2)	1.7	1.5	1.5	1.3	1.2	1.3
Return on Average Equity (2)	14.5	13.7	13.8	12.9	12.8	11.6
Operating Expenses / Operating Income (3)	41.0	43.9	40.7	40.6	44.5	43.2
Deposits per Branch (TL million)	75.0	89.6	90.4	94.9	102.8	86.5
Loans per Branch (TL million)	70.5	84.1	91.2	100.7	116.8	101.9
Profit per Branch (TL million)	1.8	1.8	2.0	1.8	2.0	2.0
Deposits per Employee (TL million)	4.3	5.0	5.0	5.5	6.1	4.9
Credit per Employee (TL million)	4.0	4.7	5.0	5.8	7.0	5.7
Profit per Employee (TL thousand)	104.5	100.4	108.5	106.1	117.5	113.7

Market Share (%)

	2010	2011	2012	2013	2014
SECURITIES PORTFOLIO	6.3	6.7	6.8	7.6	7.7
LOANS	8.5	8.4	8.5	8.3	8.4
Commercial Loans	8.5	7.9	8.2	7.8	8.1
Retail Loans	8.6	9.4	9.1	9.2	9.2
NON-PERFORMING LOANS (NET)	0.8	2.8	4.6	3.7	2.5
Non-Performing Loans (Gross)	11.4	11.4	11.6	11.9	10.9
Special Provisions (-)	13.4	13.6	14	14.5	13.9
DEPOSITS	7.7	8.8	8.7	8.6	8.7
Term Deposits	7.8	9	8.9	8.8	8.8
Demand Deposits	7.4	7.5	7.9	7.7	8.5
TOTAL FUNDS BORROWED	4.9	4.7	4.0	4.8	5.3
GUARANTEES AND COMMITMENTS	6.9	7.2	7.1	7.0	7.5
TOTAL ASSETS	7.3	7.3	7.6	7.8	7.9
SHAREHOLDERS' EQUITY	6.4	6.4	6.6	6.5	6.4
NET PROFIT OR LOSS	5.2	6.2	6.2	6.4	7.1

⁽¹⁾ Gross Non-Performing Loans are included in Total Loans.

⁽²⁾ Average values are calculated as the arithmetic average of the current and prior year data.

⁽³⁾ Operating income = Net interest income + Net Fees and Commissions Income. + Dividend Income + Net Trading P/L + Other Operating Income + Subsidiaries and Associates' P/L.

⁽⁴⁾ Sector ratios and market shares are calculated using the BRSA's Monthly Bulletins.

