

**TÜRKİYE VAKIFLAR BANKASI
TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS AT 30 JUNE 2015
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

1. We have reviewed the accompanying condensed consolidated interim statement of financial position of Türkiye Vakıflar Bankası T.A.O. and its subsidiaries (the "Group") as of 30 June 2015 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim financial reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

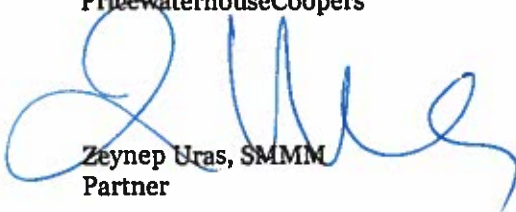
Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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



Zeynep Uras, SMMM
Partner

Istanbul, 16 September 2015

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

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

	Notes	30 June 2015	31 December 2014
ASSETS			
Cash and balances with Central Banks	6	26,713,605	25,328,522
Financial assets at fair value through profit or loss		708,314	450,241
Loans and advances to banks		403,536	564,915
Loans and advances to customers		120,907,507	106,555,401
Investment securities		24,206,966	23,830,408
Investments in associates		233,058	229,602
Property and equipment		1,069,001	986,922
Intangible assets		182,645	162,340
Current tax assets		4,622	9,331
Deferred tax assets		395,151	329,672
Other financial assets		551,645	545,184
Other assets		3,892,549	3,834,486
Total assets		179,268,599	162,827,024
LIABILITIES AND EQUITY			
Trading liabilities		254,219	270,627
Deposits from banks		4,849,508	5,220,355
Deposits from customers		97,386,904	88,511,777
Obligations under repurchase agreements		17,918,770	16,185,302
Funds borrowed		17,937,542	16,260,650
Debt securities issued	7	11,707,445	10,384,708
Subordinated liabilities		3,818,857	2,126,436
Other liabilities and provisions		9,252,709	7,535,295
Current tax liabilities		29,056	249,940
Deferred tax liabilities		9,883	15,208
Total liabilities		163,164,893	146,760,298
Equity attributable to owners of the parent			
Share capital		3,300,146	3,300,146
Share premium		724,316	724,316
Reserves		1,485,307	1,701,584
Retained earnings		10,071,667	9,721,220
Total equity attributable to owners of the parent		15,581,436	15,447,266
Non-controlling interests		522,270	619,460
Total equity		16,103,706	16,066,726
Total liabilities and equity		179,268,599	162,827,024

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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

Notes	1 January -30 June 2015	1 January -30 June 2014
Interest income		
Interest on loans and receivables	5,463,487	4,514,291
Interest on securities	1,047,322	1,082,862
- <i>Trading financial assets</i>	3,601	10,301
- <i>Available-for-sale financial assets</i>	718,115	812,555
- <i>Held-to-maturity investments</i>	325,606	260,006
Interest on deposits at banks	40,601	33,028
Interest on money market placements	586	508
Other interest income	51,715	26,079
Total interest income	6,603,711	5,656,768
Interest expense		
Interest on deposits	(2,815,898)	(2,569,829)
Interest on money market deposits	(421,500)	(519,030)
Interest on funds borrowed	(176,705)	(108,979)
Interest expense on securities issued	(276,361)	(197,337)
Other interest expense	(135,280)	(82,624)
Total interest expense	(3,825,744)	(3,477,799)
Net interest income	2,777,967	2,178,969
Fee and commission income	656,174	506,360
Fee and commission expense	(231,560)	(213,851)
Net fee and commission income	424,614	292,509
Other operating income		
Net trading income	54,575	88,152
Net foreign exchange gains	65,086	69,599
Other income	10	562,301
Total other operating income	681,962	793,752
Other administrative and operating expenses		
Salaries and employee benefit expenses	11	(853,566)
Provision for loan impairment, net of recoveries	(752,903)	(537,341)
Depreciation and amortisation	(78,478)	(66,211)
Taxes other than on income	(60,926)	(54,696)
Other expenses	12	(1,483,116)
Total other administrative and operating expenses	(3,228,989)	(2,584,540)
Share of profit of associates accounted for using the equity method	16,772	17,175
Profit before income tax	672,326	697,865
Income tax expense	(155,169)	(151,803)
Profit for the period	517,157	546,062

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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

	Notes	1 January - 30 June 2015	1 January - 30 June 2014
Other comprehensive income:			
<i>Items that will never be classified to profit or loss:</i>			
Re-measurement of post - employment benefit obligation		(5,263)	(2,146)
Related tax		1,053	429
		(4,210)	(1,717)
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		21,315	(21,494)
Net change in fair value of available for sale financial assets		(551,765)	622,365
Fair value differences of available for sale financial assets transferred to profit or loss		50,885	39,197
Other items		-	(1,664)
Income tax related to items that will be reclassified subsequently to profit or loss		98,516	(133,366)
Other comprehensive income for the period, net of income tax		(385,259)	505,038
Total comprehensive income for the period		131,898	1,051,100
Profit/(loss) attributable to:			
- Owners of the parent	8	613,719	561,600
- Non-controlling interests		(96,562)	(15,538)
Profit for the period		517,157	546,062
Total comprehensive income/(loss) attributable to:			
- Owners of the parent		228,405	1,069,298
- Non-controlling interests		(96,507)	(18,198)
Total comprehensive income for the period		131,898	1,051,100
Basic and diluted Earnings per share on profit for the year (full TL)	8	0.0021	0.0022

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

	Attributable to owners of the parent								
	Share capital	Share premium	Reserves			Retained earnings	Total	Non-controlling interest	Total equity
			Fair value reserves	Currency translation reserve	Legal reserves				
Balances at 1 January 2015	3,300,146	724,316	506,220	118,470	1,076,894	9,721,220	15,447,266	619,460	16,066,726
Profit for the period	-	-	-	-	-	613,719	613,719	(96,562)	517,157
Other comprehensive income									
Re-measurements of defined benefit plans	-	-	-	-	-	(2,046)	(2,046)	(2,164)	(4,210)
Foreign currency translation differences	-	-	-	19,096	-	-	19,096	2,219	21,315
Net change in fair value of available for sale financial assets, net of tax	-	-	(453,249)	-	-	-	(453,249)	-	(453,249)
Fair value differences of available for sale financial assets transferred to profit or loss, net of tax	-	-	50,885	-	-	-	50,885	-	50,885
Total other comprehensive income	-	-	(402,364)	19,096	-	(2,046)	(385,314)	55	(385,259)
Total comprehensive income for the period	-	-	(402,364)	19,096	-	611,673	228,405	(96,507)	131,898
Transfer to reserves	-	-	-	-	166,991	(166,991)	-	-	-
Dividends paid	-	-	-	-	-	(100,000)	(100,000)	(1,513)	(101,513)
Other items	-	-	-	-	-	5,765	5,765	830	6,595
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	-	166,991	(261,226)	(94,235)	(683)	(94,918)
Balances at 30 June 2015	3,300,146	724,316	103,856	137,566	1,243,885	10,071,667	15,581,436	522,270	16,103,706

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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

	Attributable to owners of the parent							Non- controlling interest	Total equity
	Share Capital	Share premium	Reserves				Total		
			Fair value reserves	Currency translation reserve	Legal reserves	Retained earnings			
Balances at 1 January 2014	3,300,146	724,316	(168,236)	133,175	913,867	8,366,271	13,269,539	408,205	13,677,744
Profit for the period	-	-	-	-	-	561,600	561,600	(15,538)	546,062
Other comprehensive income									
Foreign currency translation differences	-	-	-	(18,834)	-	-	(18,834)	(2,660)	(21,494)
Net change in fair value of available for sale financial assets, net of tax	-	-	496,926	-	-	-	496,926	-	496,926
Fair value differences of available for sale financial assets transferred to profit or loss, net of tax	-	-	31,270	-	-	-	31,270	-	31,270
Other items	-	-	-	-	-	(1,664)	(1,664)	-	(1,664)
Total other comprehensive income	-	-	528,196	(18,834)	-	(1,664)	507,698	(2,660)	505,038
Total comprehensive income for the period	-	-	528,196	(18,834)	-	559,936	1,069,298	(18,198)	1,051,100
Transfer to reserves	-	-	-	-	162,888	(162,888)	-	-	-
Dividends paid	-	-	-	-	-	(100,000)	(100,000)	(316)	(100,316)
Capital advances paid	-	-	-	-	-	-	-	157,874	157,874
Other items	-	-	-	-	1,451	-	1,451	1,005	2,456
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	-	164,339	(262,888)	(98,549)	158,563	60,014
Balances at 30 June 2014	3,300,146	724,316	359,960	114,341	1,078,206	8,663,319	14,240,288	548,570	14,788,858

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

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

Notes	1 January - 30 June 2015	1 January - 30 June 2014
Cash flows from operating activities:		
Profit for the period	517,157	546,062
<i>Adjustments for:</i>		
Income tax expense	155,169	151,803
Provision for loan impairment, net of recoveries	752,903	537,341
Depreciation and amortization	78,478	66,211
Provision for short term employee benefits	213,079	121,525
Provision for retirement pay liability and unused vacations	34,378	30,453
Change in unearned premium reserve	93,089	89,780
Change in provision for outstanding claims	10 12 209,855	56,575
Long term insurance contracts	-	29,019
Other provision expenses	64,997	9,337
Net interest income	(2,777,967)	(2,178,969)
Share of profit of associates accounted for using the equity method	(16,772)	(17,175)
Other non-cash adjustments	(77,083)	29,156
	(752,717)	(528,882)
<i>Changes in:</i>		
Loans and advances to banks	161,379	(40,421)
Reserve deposits	(1,698,923)	(540,420)
Financial assets at fair value through profit or loss	(258,073)	248,603
Loans and advances to customers	(14,921,273)	(4,207,967)
Other assets	1,983,807	95,191
Deposits from banks	(370,852)	202,796
Deposits from customers	8,804,368	2,459,489
Obligation under repurchase agreements	1,736,608	(1,631,679)
Other liabilities and provisions	890,888	517,185
	(3,672,071)	(2,897,223)
Interest received	6,114,217	5,184,305
Interest paid	(2,031,863)	(3,513,047)
Taxes paid	(415,005)	(56,497)
Cash used in operating activities (-)	(757,439)	(1,811,344)
Cash flows from investing activities:		
Dividends received	4,988	5,718
Acquisition of property and equipment	(141,123)	(68,623)
Proceeds from the sale of property and equipment	40,497	34,030
Acquisition of intangible assets	(20,305)	(29,745)
Acquisition of investment securities	(3,670,592)	(4,642,759)
Proceeds from sale of investment securities	3,039,795	5,524,196
Cash provided by/(used in) investing activities	(746,740)	822,817
Cash flows from financing activities:		
Proceeds from issue of debt securities	4,875,381	4,085,369
Repayments of debt securities	7 (3,562,927)	(2,721,989)
Repayments of funds borrowed	5,312,198	3,476,062
Proceeds from funds borrowed	(3,635,788)	(4,027,454)
Dividends paid	8 (101,513)	(100,316)
Cash provided by financing activities	2,887,351	711,672
Effect of foreign exchange rate fluctuations on cash and cash equivalents	(32,115)	(9,013)
Net decrease in cash and cash equivalents (-)	1,351,057	(285,868)
Cash and cash equivalents at the beginning of the period	25,114,309	6,102,994
Cash and cash equivalents at the end of the period	6 26,465,366	5,817,126

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

1. GENERAL INFORMATION

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (the “Bank” or the “Parent”) 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 estate,
- Providing 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 Bank provides corporate, commercial and retail banking services through a network of 900 domestic branches and 3 foreign branches in New York, Bahrain and Iraq (31 December 2014: 890 domestic, 3 foreign, in total 893 branches). As at 30 June 2015, the Bank has 15,324 employees (31 December 2014: 14,920). Additionally, the Bank has a subsidiary in banking sector in Austria, titled as Vakıfbank International AG. The Bank’s head office is located at Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59, Kağıthane-İstanbul.

The shareholder holding control over the Bank is the General Directorate of the Registered Foundations and Appendant Foundations represented by the General Directorate of the Foundations having a total of 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, owning 16.10% of outstanding shares of the Bank. The shares of the Bank are quoted to Borsa İstanbul A.Ş. (BIST) and traded publicly.

As at 30 June 2015, the Bank’s nominal paid-in capital amounted to TL2,500,000 divided into 250,000,000,000 shares with a nominal value of 1 Kurus each (TL 1 equals Kurus 100). As at 30 June 2015, the Bank’s shareholders’ structure is as follows:

Shareholders	Number of the shares (100 units)	Nominal amount	Share (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.1
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,784	386,225	15.45
Other appendant foundations (Group B)	3,099,924	3,100	0.13
Other registered foundations (Group B)	1,448,544	1,448	0.06
Other real persons and legal entities (Group C)	1,532,753	1,533	0.06
Publicly traded (Group D)	630,082,689	630,083	25.2
Paid-in capital	2,500,000,000	2,500,000	100
Adjustment to share capital		800,146	
Total		3,300,146	

The adjustment to share capital represents the cumulative restatement adjustment amount to nominal share capital on adopting IAS 29, "Financial reporting in hyper-inflationary economies" until 1 January 2006.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

1. GENERAL INFORMATION (Continued)

These condensed consolidated interim financial statements were approved for issue on 16 September 2015. These condensed consolidated interim financial statements have been reviewed, not audited.

The table below sets out the subsidiaries and associates and shows their shareholding structure as at 30 June 2015:

	Proportion directly held by the Bank (%)	Proportion held by the Group (%)
Subsidiaries:		
Güneş Sigorta A.Ş. (*)	36.35	36.35
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. (*)	22.89	32.91
Vakıf Emeklilik A.Ş.	53.9	75.3
Vakıf Enerji ve Madencilik A.Ş.	65.5	84.92
Taksim Otelcilik A.Ş.	51	51.52
Vakıf Factoring A.Ş.	78.39	86.97
Vakıf Finansal Kiralama A.Ş.	58.71	64.4
Vakıf Yatırım Menkul Değerler A.Ş.	99	99.44
Vakıf Portföy Yönetimi A.Ş.	100	100
Vakıfbank International AG	90	90
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	38.7	40.64
World Vakıf UBB Ltd. in Liquidation (**)	82	85.24
Associates:		
Kıbrıs Vakıflar Bankası Ltd. Şti.	15	15
T. Sınai Kalkınma Bankası A.Ş.	8.38	8.38

(*) For those consolidated subsidiaries where the Bank does not own, directly or indirectly through subsidiaries, more than 50% of the subsidiary's voting power, proportion of ordinary shares held by the Group entitles the Bank to the rights - acquired through arrangements between shareholders or articles of association of the related subsidiary - to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

(**) World Vakıf UBB Ltd, was established in the Turkish Republic of Northern Cyprus in 1993 for offshore banking operations. Its head office is in Nicosia. The name of the Bank, which was World Vakıf Offshore Banking Ltd, has been changed to 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 authorization of World Vakıf UBB Ltd 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. The liquidation process of World Vakıf UBB Ltd, has been carried out by NCTR Collecting and Liquidation Office. The application of the subsidiary for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the name of the subsidiary has been changed as “World Vakıf UBB Ltd. in Liquidation”. Therefore, the financial statements of the subsidiary have not been consolidated as at 30 June 2015 and 31 December 2014.

For the purposes of the condensed consolidated interim financial statements, the Bank and its consolidated subsidiaries described below are referred to as the “Group”:

Güneş Sigorta A.Ş. was established under the leadership of the Bank and Soil Products Office in 1957. The subsidiary provides nearly all non-life insurance products, including fire, accident, transaction, engineering, agriculture, health, forensic protection and loan insurance. Its head office is in Istanbul.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

1. GENERAL INFORMATION (Continued)

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. was established in 1991 in Istanbul. The main activity of the subsidiary is to invest a portfolio (including marketable debt securities and equity securities) without having managerial power in the partnerships whose securities have been acquired; and also gold and other precious metals trading 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.

Vakıf Emeklilik A.Ş. was established under the name Güneş Hayat Sigorta AŞ in 1991. In 2003 the subsidiary has taken conversion permission from the related regulatory body and started to operate both in pension business. Its head office is in Istanbul.

Vakıf Enerji ve Madencilik A.Ş. was established in 2001 to produce electrical and thermal energy, and to sell this energy in accordance with the related laws and regulations. Its head office is in Ankara.

Taksim Otelcilik A.Ş. was established under the Turkish Commercial Code in 1966. The main activity of the subsidiary is to operate in the hotel business or rent out the management of owned hotels. Its head office is in Istanbul.

Vakıf Factoring Hizmetleri A.Ş. was established in 1998 to perform factoring transactions. Its head office is in Istanbul.

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.

Vakıf Yatırım Menkul Değerler A.Ş. was established in 1996 to provide service to investors through making capital markets transactions, the issuance of capital market tools, 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.

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, Austria.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established as the first real estate investment partnership in the finance sector under the adjudication of the Capital Markets Law in 1996. The subsidiary’s main operation is in line with the scope in the Capital Markets Board’s regulations relating to real estate investment trusts including real estate, capital market tools based on real estate, real estate projects and investing on capital market tools. Its head office is in Ankara.

The bank has also the following associates:

Kıbrıs Vakıflar Bankası Ltd. Şti. was established in 1982 in the Turkish Republic of Northern Cyprus, mainly to encourage the usage of credit cards issued by the Bank, to increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Nicosia.

Türkiye Sınai Kalkınma Bankası AŞ was established as an investment bank in 1950 to support investments in all economic sectors. Its head office is in Istanbul.

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards.

Taxes on income in the interim periods are accrued using the weighted average effective tax rate that would be applicable to expected total annual profit or loss.

In preparation of the condensed consolidated interim financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual consolidated financial statements except for the adoption of new standards and interpretations as of 1 January 2015, where applicable, noted below:

New and Revised International Financial Reporting Standards

a. New standards, amendments and interpretations effective as of 30 June 2015:

- IAS 19, ‘Employee benefits’, effective for annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012, effective for annual periods on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
 - IFRS 2, ‘Share-based payment’
 - IFRS 3, ‘Business Combinations’
 - IFRS 8, ‘Operating segments’
 - IFRS 13, ‘Fair value measurement’
 - IAS 16, ‘Property, plant and equipment and IAS 38, ‘Intangible assets’
 - Consequential amendments to IFRS 9, ‘Financial instruments’, IAS 37, ‘Provisions, contingent liabilities and contingent assets’, and
 - IAS 39, Financial instruments – Recognition and measurement’.
- Annual improvements 2013, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
 - IFRS 1, ‘First time adoption’
 - IFRS 3, ‘Business combinations’
 - IFRS 13, ‘Fair value measurement’ and
 - IAS 40, ‘Investment property’.

The new and revised standards effective for the interim reporting period ending 30 June 2015 did not have a material impact on the Group.

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2. BASIS OF PREPARATION (Continued)

b. Standards and amendments issued but not yet effective as of 30 June 2015:

- Amendment to IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after 1 January 2016 . It is about acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', effective for annual periods beginning on or after 1 January 2016. In this amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 1 January 2016. This standard permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to IAS 27, 'Separate financial statements', effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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2. BASIS OF PREPARATION (Continued)

- Annual improvements 2014, effective for annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - IFRS 5, ‘Non-current assets held for sale and discontinued
 - IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, ‘Employee benefits’ regarding discount rates.
 - IAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to IAS 1, ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports.
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception, effective for annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- IFRS 15 ‘Revenue from contracts with customers’, effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9 ‘Financial instruments’; effective for annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The new standards, amendments and interpretations which will be will be effective after 1 July 2015 are not expected to have a material impact on the Group except for the application of IFRS 9. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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3. USE OF ESTIMATES AND JUDGEMENTS AND SEASONALITY OF OPERATIONS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

There is no significant seasonality effect on the operations of the Group.

4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgement is necessary to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities recorded at amortized cost are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair values, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of loans and advances to banks and customers are TL 121,973,301 (31 December 2014: TL 106,402,288), whereas the carrying amount is TL 121,311,043 (31 December 2014: TL 107,120,316) in the condensed consolidated interim statement of financial position as at 30 June 2015.

Fair value of held-to-maturity investment securities is TL 7,080,669 (31 December 2014: TL 6,983,593), whereas the carrying amount is TL 7,123,875 (31 December 2014: TL 6,854,593) in the condensed consolidated interim statement of financial position as at 30 June 2015.

The fair value of the funds borrowed, subordinated liabilities, deposits from banks and deposits from customers approximates their carrying amounts since they bear floating rates.

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4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES (Continued)

The classification of fair value measurements of financial assets and liabilities at 30 June 2015 is as follows:

30 June 2015	Level 1	Level 2	Level 3(*)	Total
Debt securities				
<i>Financial assets at fair value through profit/loss</i>				
Debt securities	3,361	34,011	-	37,372
Derivative financial assets held for trading purposes ^(**)	2,694	659,848	-	662,542
Investment Funds	6,114	-	-	6,114
Equity securities	2,286	-	-	2,286
<i>Investment securities - available-for-sale</i>				
Debt securities ^(***)	13,846,857	3,175,750	-	17,022,607
Equity securities	-	-	60,484(*)	60,484
Total financial assets measured at fair value	13,861,312	3,869,609	60,484	17,791,405
<i>Financial liabilities held for trading purpose</i>				
Derivative financial liabilities held for trading purpose ^(**)	-	254,219	-	254,219
Total financial liabilities measured at fair value	-	254,219	-	254,219

(*) These amounts consist of fair value of the equity investments determined by independent valuation companies. Fair value of equity investments are determined by using discount rates, macroeconomic factors and projected cash flows. Changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions does not have a significant effect on total investment portfolio.

(**) The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for derivatives with option features.

(***) The fair value of debt securities, are calculated using quoted prices. Where such prices are not available, estimate is made based on the latest available price adjusted by the accrued interest.

There were no transfers between Level 1 and Level 2 during the period.

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4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES (Continued)

The classification of fair value measurements of financial assets and liabilities measured at 31 December 2014 is as follows:

31 December 2014	Level 1	Level 2	Level 3	Total
Asset carried at fair value				
Financial assets at fair value through profit/loss				
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
Investment securities - available-for-sale				
Debt securities	15,378,036	1,493,064	1,260	16,872,360
Equity securities	-	-	62,112 ^(*)	62,112
Total financial assets	15,393,346	1,927,995	63,372	17,384,713
Financial liabilities held for trading purpose				
Derivative financial liabilities held for trading purpose	-	(270,627)	-	(270,627)
Total financial liabilities	-	(270,627)	-	(270,627)

^(*) These amounts consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as follows:

	2015	2014
Balance at the beginning of the period - 1 January	63,372	54,850
Total gains or losses for the period recognized in other comprehensive income	(2,888)	(1,629)
Balance at the end of the period - 30 June	60,484	53,221

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5. SEGMENT INFORMATION

The Board of Directors of the Bank is the Group’s chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis. The Group has the following segments, as described below:

- *Retail banking*; includes loans, deposits and other transactions and balances with retail customers.
- *Corporate and commercial banking*; includes loans, deposits and other transactions and balances with corporate customers.
- *Investment banking*; includes the Group’s trading and corporate finance activities and undertakes the Group’s funding and centralized risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.
- *Insurance*; includes the Group’s insurance business.
- *Leasing*; includes the Group’s finance lease business.
- *Factoring*; includes the Group’s factoring business.
- *Other segments*; includes combined information about operating segments that do not meet the quantitative thresholds

The Board of Directors assesses the performance of the operating segments based on a measure of profit before income tax adjusted for certain income and expenses. Performance is measured based on segment profit before income tax adjusted for certain income and expenses, as included in the internal management reports that are reviewed by the Board of Directors. This measure is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

Measurement of segment assets and liabilities and operating segment results are based on the accounting policies set out in the accounting policy notes in the annual consolidated financial statements for the year ended 31 December 2014.

Information regarding the results of reportable segments is included below:

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5. SEGMENT INFORMATION (Continued)

30 June 2015	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Interest income on loan and receivables	2,015,736	3,404,502	-	-	5,420,238	-	47,180	-	895	5,468,313	(4,826)	5,463,487
Interest expense on deposits	(1,169,814)	(1,575,836)	(99,462)	-	(2,845,112)	-	-	-	-	(2,845,112)	29,214	(2,815,898)
Operating profit	1,006,509	1,704,282	285,126	(332,002)	2,663,915	538,432	18,899	11,729	44,538	3,277,513	(129,101)	3,148,412
Profit before income tax	559,734	816,398	40,838	(580,183)	836,787	(168,058)	12,253	8,912	7,278	697,172	(24,846)	672,326
Income tax expense	(105,492)	(153,865)	(7,697)	109,345	(157,709)	6,763	(1,276)	(2,403)	(544)	(155,169)	-	(155,169)
Profit for the year	454,242	662,533	33,141	(470,838)	679,078	(161,295)	10,977	6,509	6,734	542,003	(24,846)	517,157
30 June 2015												
Segment assets	35,649,209	83,481,727	50,203,676	5,497,622	174,832,234	2,163,955	1,412,957	808,281	1,048,115	180,265,542	(1,230,001)	179,035,541
Investments in associates and subsidiaries	-	-	1,607,830	-	1,607,830	243,420	3,359	2,601	42,209	1,899,419	(1,643,792)	255,627
Investment in equity accounted investees	-	-	-	-	-	-	-	-	-	-	(22,569)	(22,569)
Total assets	35,649,209	83,481,727	51,811,506	5,497,622	176,440,064	2,407,375	1,416,316	810,882	1,090,324	182,164,961	(2,896,362)	179,268,599
Segment liabilities	44,421,744	53,629,712	54,964,501	7,142,470	160,158,427	2,186,758	1,300,287	712,654	62,009	164,420,135	(1,255,242)	163,164,893
Equity including non-controlling interest	-	-	-	16,281,637	16,281,637	220,617	116,029	98,228	1,028,315	17,744,826	(1,641,120)	16,103,706
Total liabilities and equity	44,421,744	53,629,712	54,964,501	23,424,107	176,440,064	2,407,375	1,416,316	810,882	1,090,324	182,164,961	(2,896,362)	179,268,599
Tangible fixed assets	-	-	-	326,954	326,954	-	-	-	-	326,954	-	326,954
Intangible fixed assets	-	-	-	41,064	41,064	-	-	-	-	41,064	-	41,064
Depreciation	-	-	-	244,875	244,875	-	-	-	-	244,875	-	244,875
Amortization	-	-	-	20,760	20,760	-	-	-	-	20,760	-	20,760

(*) The elimination amount in the interest income represents the inter-segment revenue for corporate banking segment.

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5. SEGMENT INFORMATION (Continued)

30 June 2014	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Interest income on loan and receivables	1,575,006	2,903,009	-	-	4,478,015	-	38,439	-	622	4,517,076	(2,785)	4,514,291
Interest expense on deposits	(1,047,706)	(1,465,321)	(79,781)	-	(2,592,808)	-	-	-	-	(2,592,808)	22,979	(2,569,829)
Operating profit	857,360	944,004	511,482	(12,715)	2,300,131	521,442	9,287	7,168	29,688	2,867,716	(122,652)	2,745,064
Profit before income tax	502,569	202,114	296,017	(260,826)	739,874	(15,671)	2,735	4,717	6,756	738,411	(40,546)	697,865
Income tax expense	(104,713)	(42,112)	(61,677)	54,345	(154,157)	1,943	550	828	(967)	(151,803)	-	(151,803)
Profit for the year	397,856	160,002	234,340	(206,481)	585,717	(13,728)	3,285	5,545	5,789	586,608	(40,546)	546,062
31 December 2014	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Segment assets	32,963,634	72,041,167	48,117,179	5,553,602	158,675,582	2,151,333	1,198,199	537,945	1,276,806	163,839,865	(1,242,443)	162,597,422
Investments in associates and subsidiaries	-	-	1,638,659	-	1,638,659	246,585	3,359	2,601	44,089	1,935,293	(1,675,335)	259,958
Investment in equity accounted investees	-	-	-	-	-	-	-	-	-	-	(30,356)	(30,356)
Total assets	32,963,634	72,041,167	49,755,838	5,553,602	160,314,241	2,397,918	1,201,558	540,546	1,320,895	165,775,158	(2,948,134)	162,827,024
Segment liabilities	38,649,556	55,659,039	44,040,940	5,851,750	144,201,285	1,988,291	1,096,587	448,827	296,132	148,031,122	(1,270,824)	146,760,298
Equity including non-controlling interest	-	-	-	16,112,956	16,112,956	409,627	104,971	91,719	1,024,763	17,744,036	(1,677,310)	16,066,726
Total liabilities and equity	38,649,556	55,659,039	44,040,940	21,964,706	160,314,241	2,397,918	1,201,558	540,546	1,320,895	165,775,158	(2,948,134)	162,827,024
Tangible fixed assets	-	-	-	204,782	204,782	-	-	-	-	204,782	-	204,782
Intangible fixed assets	-	-	-	47,256	47,256	-	-	-	-	47,256	-	47,256
Depreciation	-	-	-	93,539	93,539	-	-	-	-	93,539	-	93,539
Amortization	-	-	-	13,021	13,021	-	-	-	-	13,021	-	13,021

The measurement basis adopted by the Board of Directors to assess the performance of the operating segments excludes fixed assets and accordingly; segment information related to depreciation and amortization expenses and capital expenditures is not provided.

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6. CASH AND CASH EQUIVALENTS

As at 30 June 2015 and 31 December 2014, cash and cash equivalents presented in the consolidated statement of financial position and cash flows are as follows:

	30 June 2015	31 December 2014
Cash on hand	1,307,144	1,376,909
Due from Central Bank	17,856,649	16,157,726
Balances with the CBT excluding reserve deposits	2,267,758	4,282,966
Receivables from repurchase agreements	29,625	9,504
Loans and advances to banks with original maturity less than three months	5,159,961	3,426,867
Others	92,468	74,550
Total cash and cash equivalents in the consolidated statement of financial position	26,713,605	25,328,522
Accruals on cash and cash equivalents	(1,542)	(3,494)
Blocked bank deposits	(246,697)	(210,719)
Total cash and cash equivalents in the consolidated statement of cash flows	26,465,366	25,114,309

7. DEBT SECURITIES ISSUED

The Parent Bank issued Eurobonds in the scope of Global Medium Term Notes (GMTN). The details of debt securities issued are as follows:

	30 June 2015			31 December 2014		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
Nominal	2,750,907	8,978,470	11,729,377	2,930,927	7,472,592	10,403,519
Cost	2,644,065	8,935,433	11,579,498	2,813,866	7,436,932	10,250,798
Net Book Value	2,702,172	9,005,273	11,707,445	2,866,343	7,518,365	10,384,708

The movement during the period is as follows:

	2015	2014
Balance at the beginning of the period - 1 January	10,384,708	6,820,735
Proceeds from issue of debt securities (including accruals)	4,885,664	4,040,683
Interest paid	(266,078)	(152,651)
Repayments of debt securities	(3,296,849)	(2,569,338)
Balance at the end of the period - 30 June	11,707,445	8,139,429

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8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period:

	1 January - 30 June 2015	1 January - 30 June 2014
Net profit attributable to owners of the Parent	613,719	561,600
Number of ordinary shares for basic earnings per share	250,000,000,000	250,000,000,000
Basic earnings per share (full TL)	0.0021	0.0022

There is no dilution of shares for the six months period ended 30 June 2015 and 30 June 2014.

In current period the group paid dividends amounting to TL 101,513 (30 June 2014: TL 100,316) to the owners of ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

9. RELATED PARTY TRANSACTIONS

For the purpose of these condensed consolidated interim financial statements, shareholders (namely General Directorate of the Registered Foundations and Appendant Foundations represented by the General Directorate of the Foundations), subsidiaries, associates, other group companies and key management personnel of the Group or of its parent and their close family members are referred to as related parties.

The Group conducted some business transactions with related parties on normal commercial terms and conditions. The following balances exist and transactions have been entered into with related parties:

Related party	30 June 2015			31 December 2014		
	Cash loans	Non-cash loans	Deposits	Cash loans	Non-cash loans	Deposits
Shareholders with significant influence	-	35,939	584,829	1,842	10,174	713,804
Associates	1	1,218	21,305	10	8,222	23,466
Key management personnel	227	-	1,440	-	-	309
Total	228	37,157	607,574	1,852	18,396	737,579

Related party	30 June 2015				30 June 2014			
	Commission Income	Interest income	Interest expense	Other operating expense	Commission Income	Interest income	Interest expense	Other operating Expense
Shareholders with significant influence	-	-	20,202	-	16	-	33,036	-
Associates	15	1	3,677	288	8	-	862	9
Total	15	1	23,879	288	24	-	33,898	9

Key Management Remuneration

For the six-month periods ended 30 June 2015, the key management personnel received remuneration and fees amounted to TL 12,673 (30 June 2014: TL 13,762).

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10. OTHER INCOME

For the six-month periods ended 30 June 2015 and 2014, other income comprised the followings:

	30 June 2015	30 June 2014
Earned premiums	373,910	324,202
<i>Written premiums</i>	466,999	413,982
<i>Change in reserve for unearned premiums</i>	(93,089)	(89,780)
Gain on sale of fixed assets	39,359	40,787
Individual pension business income	31,596	22,056
Excess fee charged to customers for communication expenses	24,686	42,303
Reversal of miscellaneous provision	21,000	141,274
Dividend income from equity shares	4,988	5,718
Rent income	214	632
Other items	66,548	59,029
Total	562,301	636,001

11. SALARIES AND EMPLOYEE BENEFIT EXPENSES

For the six month periods ended 30 June 2015 and 2014, salaries and employee benefit expenses comprised the following:

	30 June 2015	30 June 2014
Wages and salaries	(318,462)	(303,902)
Provision for short term employee benefits	(213,079)	(121,525)
Other fringe benefits	(180,813)	(246,420)
Employer’s share of social security premiums	(106,834)	(95,409)
Provision for employee termination benefits	(29,838)	(23,195)
Change in provision for liability for unused vacations	(4,540)	(7,258)
Total	(853,566)	(797,709)

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12. OTHER EXPENSES

For the six month periods ended 30 June 2015 and 2014, other expenses comprised the following:

	30 June 2015	30 June 2014
Incurring insurance claims	(502,744)	(378,952)
<i>Insurance claims paid</i>	(292,889)	(322,377)
<i>Change in provision for outstanding claims</i>	(209,855)	(56,575)
Banking services promotion expenses	(240,531)	(218,590)
Rent expenses and operating lease charges	(120,014)	(103,502)
Other provision expenses	(64,997)	(32,944)
Saving Deposit Insurance Fund premiums	(58,766)	(43,611)
Service expenses	(51,210)	(48,297)
Communication expenses	(43,198)	(40,232)
Advertising expenses	(36,516)	(34,026)
Legal expenses	(35,568)	(22,501)
Cleaning service expenses	(25,399)	(22,035)
Maintenance expenses	(18,002)	(12,841)
Energy expenses	(15,133)	(12,923)
Computer usage expenses	(14,211)	(11,066)
BRSA participation fee	(11,890)	(10,162)
Office supplies	(10,160)	(8,306)
Consultancy expenses	(9,296)	(8,720)
Transportation expenses	(8,800)	(9,337)
Insurance expense	(8,077)	(7,332)
Credit card promotion expenses	(7,149)	(11,396)
Hosting expenses	(4,462)	(3,902)
Individual pension business expenses	(436)	(1,679)
Loss on sale of assets	(252)	(29,019)
Other various administrative expenses ^(*)	(196,305)	(57,210)
Total	(1,483,116)	(1,128,583)

^(*) The balance shown in the “other” line includes fees and commissions reimbursements as per the decision of Consumer Arbitration Board, Courts and Offices of Enforcement amounting to TL 126,200 (30 June 2014: TL 37,500).

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13. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements include the following:

	30 June 2015	31 December 2014
Letters of guarantee	25,728,628	21,458,807
Letters of credit	5,098,345	5,212,911
Acceptance credits	2,028,057	1,964,093
Other guarantees	53,931	39,236
Total financial guarantee contracts	32,908,961	28,675,047
Credit card limit commitments	7,077,005	7,641,987
Loan commitments	8,938,637	8,068,201
Revocable unused credit lines	7,346,253	6,327,649
Commitments for cheque payments	1,719,281	1,638,976
Commitments for credit card and banking operations promotions	278,459	247,938
Other commitments	1,684,625	3,219,425
Total commitments	27,044,260	27,144,176
Total commitments and contingencies	59,953,221	55,819,223

Contingent assets and liabilities

There are various legal cases against the Group for which TL 8,563 (31 December 2014: TL 16,142) provision has been provided, excluding routine insurance claims.

Due to the nature of insurance business and considering the general attitude of the legal system in favour of the policyholders, the Group provides in full for the claims opened, except for these claims including damages for mental anguish and risks which are not covered by the insurance policies. Since most of such material claims are ceded to reinsurance firms by facultative agreements, such claims, net of ceded amounts have no material effect on the Group’s financial position.

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13. COMMITMENTS AND CONTINGENCIES (Continued)

Information on derivative financial instruments

	30 June 2015	31 December 2014
	Notional Amounts	Notional Amounts
Trading Derivatives		
Foreign Currency Related Derivative Transactions	29,257,534	22,773,909
Currency Forwards	1,557,259	555,204
Currency Swaps	26,945,756	21,162,157
Currency Futures	-	-
Currency Options	754,519	1,056,548
Interest Rate Derivative Transactions	9,815,060	7,478,238
Interest Rate Forwards		
Interest Rate Swaps	9,815,060	7,478,238
Interest Rate Options		-
Investment Security Options		-
Interest Rate Futures		-
Other Trading Derivatives	5,893,669	6,780,167
Total Derivative Transactions	44,966,263	37,032,314

14. SUBSEQUENT EVENTS

The MBS programme, which will enable the Bank to issue mortgage-backed securities (“MBS”) abroad, with fixed and/or floating interest, amounting maximum of EUR 3 billion or the equivalent amount in other currencies has been established by the Bank on 29 July 2015.

The Parent Bank bonds, amounting TL 300 million with 91 days maturity and maturity date of November 6th, 2015, TL 400 million with 126 days maturity and maturity date of December 11th, 2015 and TL 200 million with 175 days maturity and maturity date of January 29th, 2016 have been Issued and offered to public through book-building on August 3-4-5, 2015.

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