

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013**

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

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

We have audited the accompanying unconsolidated balance sheet of Türk Ekonomi Bankası A.Ş. (“the Bank”) at 31 December 2013 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. 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 Türk Ekonomi Bankası A.Ş. at 31 December 2013 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.

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, 13 February 2014

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

**UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013**

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The unconsolidated financial report for the year-end prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information About The Bank
- Unconsolidated Financial Statements Of The Bank
- Explanations On The Accounting Policies Applied In The Related Period
- Information On Financial Structure Of The Bank
- Explanatory Disclosures And Footnotes On Unconsolidated Financial Statements
- Other Explanation
- Independent Auditor’s Report

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

	Jean -Milan Charles Dominique				
Yavuz Canevi Chairman of the Board of Directors	Givadinovitch Chairman of the Audit Committee	Dr. Akın Akbaygil Vice Chairman of the Audit Committee	Ümit Leblebici General Manager	M. Aşkın Dolaştır Assistant General Manager Responsible of Financial Reporting	Gökhan Kazcılar Director Responsible of Financial Reporting

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

Name-Surname/Title : Çiğdem Çelikbilek / Investor Relations Manager  
Telephone Number : (0216) 635 24 63  
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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 31 DECEMBER 2013**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

After the share purchases of BNPP Yatırımlar Holding A.Ş. in 2013, their capital ration has risen from 23.3450% to 23.5141%.

After the share purchases of Fortis Yatırımlar Holding A.Ş. in 2013, their capital ration has risen from 17.0834% to 17.2524%.

As of 31 December 2013 and 31 December 2012 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2013		31 December 2012	
	Paid in Capital	%	Paid in Capital	%
TEB Holding A.Ş.	1,212,414	55.00	1,212,414	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	514,616	23.34
BNP Paribas Fortis Yatırımlar Holding A.Ş.	380,311	17.25	376,584	17.08
Publicly traded shares	92,222	4.18	99,556	4.52
Other	1,101	0.06	1,220	0.06
	<b>2,204,390</b>	<b>100.00</b>	<b>2,204,390</b>	<b>100.00</b>

As of 31 December 2013, Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1.00 (full TL) nominal each.

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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 31 DECEMBER 2013**

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

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

<u>Name</u>	<u>Title</u>
<b>Board of Directors;</b>	
Yavuz Canevi	Chairman of the Board of Directors
Dr.Akın Akbaygil	Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee and Independent Member of the Board
Jean-Milan Charles Dominique Givadinovitch	Member of the Board of Directors, Chairman of the Audit Committee and Independent Member of the Board of Directors
Jean Paul Sabet	Vice Chairman of the Board of Directors
Ayşe Aşardağ	Member of the Board of Directors
Ümit Leblebici	General Manager and Member of the Board of Directors
Sabri Davaz	Member of the Board of Directors and Audit Committee
Alain Georges Auguste Fonteneau	Member of the Board of Directors
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee
Musa Erden	Member of the Board of Directors
Béatrice Thérèse Elisabeth Marie- Paule Dumurgier Cossa	Member of the Board of Directors
Henri Simon Andre Foch	Member of the Board of Directors
Alain Kokocinski	Independent Member of the Board of Directors
İsmail Yanık	Independent Member of the Board of Directors
<b>Assistant General Managers;</b>	
Turgut Boz	Assistant General Manager Responsible from SME Banking, Deputy General Manager
Gökhan Mendi	Assistant General Manager Responsible from Consumer Banking and Private Banking
Dr. Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources
Melis Coşan Baban	Chief Legal Counsel and Secretary of the Board of Directors
Mehmet Ali Cer	Assistant Manager Responsible from Information Technologies
Levent Çelebioğlu	Assistant General Manager Responsible from Corporate Banking
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Control
Philippe Bernard Dumel	Chief Operational Officer
Osman Durmuş	Assistant General Manager Responsible from Consumer Loans and Business Loans
Kubilay Güler	Banking Operations & Facility Services Ass. General Manager
Başar Ordukaya	Assistant General Manager Responsible from Large Corporate Customers
Akil Özçay	Assistant Manager Responsible from Financial Markets
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans
Saniye Telci	Central and Corporate Operations Assistant General Manager
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans
Eric Patrice Paul Josserand	Assistant General Manager Responsible from Corporate Investment Banking
<b>Group Heads (*);</b>	
Didier Albert Nicole Van Hecke	Chief Risk Officer
Bırol Deper	Head of Compliance Group and Internal Control Group, Officer Responsible from Consumer Relations Coordination
<b>Inspection Committee (*);</b>	
Hakan Tıraşın	Chairman of the Inspection Committee

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

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

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**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 31 DECEMBER 2013**

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

**IV. Information about the Persons and Institutions That Have Qualified Shares**

<b>Name / Commercial Name</b>	<b>Share Amount</b>	<b>Share Ratio</b>	<b>Paid-up Shares</b>	<b>Unpaid Shares</b>
TEB Holding A.Ş.	1,212,414	55.00%	1,212,414	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	380,311	17.25%	380,311	-

TEB Holding A.Ş. is the controlling party of the Parent Bank’s capital having both direct and indirect qualified shares. TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA. by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding is controlled by BNP Paribas S.A. The Belgium State has 9.98% shares in BNP Paribas S.A.

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

The Bank’s operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2013, the Bank has 539 local branches and 5 foreign branches (31 December 2012: 504 local branches, 5 foreign branches).

**VI. Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Parent Bank and Its Subsidiaries**

None.



## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

	Section 5 Note Ref.	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(I-1)</b>	<b>632,297</b>	<b>6,179,313</b>	<b>6,811,610</b>	<b>768,858</b>	<b>3,680,542</b>	<b>4,449,400</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-2)</b>	<b>1,299,443</b>	<b>52,887</b>	<b>1,352,330</b>	<b>525,748</b>	<b>85,180</b>	<b>610,928</b>
2.1 Financial assets held for trading		1,299,443	52,887	1,352,330	525,748	85,180	610,928
2.1.1 Public sector debt securities		642,579	11,051	653,630	427,426	23,235	450,661
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		656,864	41,836	698,700	98,322	61,945	160,267
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets classified at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(I-3)</b>	<b>75,373</b>	<b>248,915</b>	<b>324,288</b>	<b>441,026</b>	<b>268,170</b>	<b>709,196</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	<b>1,700,295</b>	-	<b>1,700,295</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	1,700,295	-	1,700,295
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-4)</b>	<b>4,250,549</b>	<b>8,099</b>	<b>4,258,648</b>	<b>4,246,799</b>	<b>10,815</b>	<b>4,257,614</b>
5.1 Share certificates		19,535	100	19,635	17,829	5,602	23,431
5.2 Public sector debt securities		4,229,794	7,999	4,237,793	4,227,798	5,213	4,233,011
5.3 Other marketable securities		1,220	-	1,220	1,172	-	1,172
<b>VI. LOANS AND RECEIVABLES</b>	<b>(I-5)</b>	<b>31,046,587</b>	<b>7,088,370</b>	<b>38,134,957</b>	<b>24,201,649</b>	<b>5,484,085</b>	<b>29,685,734</b>
6.1 Loans and receivables		30,706,542	7,088,370	37,794,912	23,944,190	5,484,085	29,428,275
6.1.1 Loans to Risk Group of the Bank		16,810	1,882	18,692	31,306	4,725	36,031
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		30,689,732	7,086,488	37,776,220	23,912,884	5,479,360	29,392,244
6.2 Non-performing loans		868,121	-	868,121	643,226	-	643,226
6.3 Specific provisions (-)		528,076	-	528,076	385,767	-	385,767
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-6)</b>	<b>292,956</b>	-	<b>292,956</b>	-	-	-
8.1 Public sector debt securities		292,956	-	292,956	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-7)</b>	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial investments in Associates		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-8)</b>	<b>106,607</b>	<b>61,254</b>	<b>167,861</b>	<b>106,607</b>	<b>61,254</b>	<b>167,861</b>
10.1 Unconsolidated financial subsidiaries		106,607	61,254	167,861	106,607	61,254	167,861
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	<b>(I-9)</b>	<b>5</b>	-	<b>5</b>	<b>5</b>	-	<b>5</b>
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		5	-	5	5	-	5
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		5	-	5	5	-	5
<b>XII. FINANCE LEASE RECEIVABLES</b>	<b>(I-10)</b>	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-11)</b>	<b>112,182</b>	<b>63</b>	<b>112,245</b>	<b>16,726</b>	<b>157</b>	<b>16,883</b>
13.1 Fair value hedge		56,899	63	56,962	4,907	157	5,064
13.2 Cash flow hedge		55,283	-	55,283	11,819	-	11,819
13.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>(I-12)</b>	<b>321,832</b>	-	<b>321,832</b>	<b>246,833</b>	-	<b>246,833</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>(I-13)</b>	<b>473,933</b>	-	<b>473,933</b>	<b>443,401</b>	-	<b>443,401</b>
15.1 Goodwill		421,124	-	421,124	421,124	-	421,124
15.2 Other		52,809	-	52,809	22,277	-	22,277
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>(I-14)</b>	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		<b>34,516</b>	-	<b>34,516</b>	<b>126,208</b>	-	<b>126,208</b>
17.1 Current tax asset		274	-	274	1,522	-	1,522
17.2 Deferred tax asset	(I-15)	34,242	-	34,242	124,686	-	124,686
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(I-16)</b>	<b>83,217</b>	-	<b>83,217</b>	<b>61,590</b>	-	<b>61,590</b>
18.1 Held for sale		83,217	-	83,217	61,590	-	61,590
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>(I-17)</b>	<b>876,196</b>	<b>164,034</b>	<b>1,040,230</b>	<b>858,526</b>	<b>197,861</b>	<b>1,056,387</b>
<b>TOTAL ASSETS</b>		<b>39,605,693</b>	<b>13,802,935</b>	<b>53,408,628</b>	<b>33,744,271</b>	<b>9,788,064</b>	<b>43,532,335</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(II-1)	<b>23,933,065</b>	<b>10,354,909</b>	<b>34,287,974</b>	<b>20,877,275</b>	<b>7,849,290</b>	<b>28,726,565</b>
1.1 Deposits from Risk Group of the Bank		1,301,748	568,924	1,870,672	476,488	276,742	753,230
1.2 Other		22,631,317	9,785,985	32,417,302	20,400,787	7,572,548	27,973,335
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(II-2)	<b>437,878</b>	<b>43,833</b>	<b>481,711</b>	<b>175,823</b>	<b>57,376</b>	<b>233,199</b>
<b>III. FUNDS BORROWED</b>	(II-3)	<b>531,586</b>	<b>6,261,386</b>	<b>6,792,972</b>	<b>273,608</b>	<b>4,905,174</b>	<b>5,178,782</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>1,062,443</b>	-	<b>1,062,443</b>	<b>40,916</b>	-	<b>40,916</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	(II-3)	1,062,443	-	1,062,443	40,916	-	40,916
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(II-3)	<b>710,276</b>	-	<b>710,276</b>	<b>494,237</b>	-	<b>494,237</b>
5.1 Bills		507,046	-	507,046	333,689	-	333,689
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		203,230	-	203,230	160,548	-	160,548
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other	(II-4)	-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>961,840</b>	<b>147,830</b>	<b>1,109,670</b>	<b>856,568</b>	<b>21,261</b>	<b>877,829</b>
<b>VIII. OTHER LIABILITIES</b>	(II-4)	<b>910,875</b>	<b>1,278</b>	<b>912,153</b>	<b>1,154,042</b>	<b>2,286</b>	<b>1,156,328</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCE LEASE PAYABLES</b>	(II-5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other	(II-4)	-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(II-6)	<b>69,255</b>	-	<b>69,255</b>	<b>168,506</b>	<b>1</b>	<b>168,507</b>
11.1 Fair value hedge		15,433	-	15,433	47,695	1	47,696
11.2 Cash flow hedge		53,822	-	53,822	120,811	-	120,811
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(II-7)	<b>813,376</b>	<b>603</b>	<b>813,979</b>	<b>674,641</b>	<b>519</b>	<b>675,160</b>
12.1 General loan loss provisions		537,702	-	537,702	405,305	-	405,305
12.2 Restructuring provisions		-	-	-	516	-	516
12.3 Reserve for employee benefits		175,748	-	175,748	176,425	-	176,425
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		99,926	603	100,529	92,395	519	92,914
<b>XIII. TAX LIABILITY</b>	(II-8)	<b>103,434</b>	-	<b>103,434</b>	<b>137,750</b>	-	<b>137,750</b>
13.1 Current tax liability		103,434	-	103,434	137,750	-	137,750
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(II-9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(II-10)	-	<b>1,778,323</b>	<b>1,778,323</b>	-	<b>1,037,480</b>	<b>1,037,480</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-11)	<b>5,286,423</b>	<b>15</b>	<b>5,286,438</b>	<b>4,801,566</b>	<b>4,016</b>	<b>4,805,582</b>
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		721,973	15	721,988	772,164	4,016	776,180
16.2.1 Share premium		2,565	-	2,565	2,565	-	2,565
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(93,714)	15	(93,699)	57,529	4,016	61,545
16.2.4 Tangible assets revaluation differences		101,391	-	101,391	101,391	-	101,391
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		527	-	527	527	-	527
16.2.8 Hedging funds (Effective portion)		32,185	-	32,185	(49,666)	-	(49,666)
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves (*)		679,019	-	679,019	659,818	-	659,818
16.3 Profit reserves		1,815,515	-	1,815,515	1,319,537	-	1,319,537
16.3.1 Legal reserves		145,948	-	145,948	121,667	-	121,667
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,441,602	-	1,441,602	1,133,061	-	1,133,061
16.3.4 Other profit reserves		227,965	-	227,965	64,809	-	64,809
16.4 Profit or loss		544,545	-	544,545	505,475	-	505,475
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss) (*)		535,048	-	535,048	495,978	-	495,978
16.5 Minority shares	(II-12)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>34,820,451</b>	<b>18,588,177</b>	<b>53,408,628</b>	<b>29,654,932</b>	<b>13,877,403</b>	<b>43,532,335</b>

(\*) The classification mentioned in the 3rd part XXIV numbered note has been restructured in prior year balance sheet.

The accompanying notes are an integral part of these financial statements

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET  
COMMITMENT AT 31 DECEMBER 2013**

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

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

	Section 5 Note Ref.	Audited Current Period 31.12.2013			Audited Prior Period 31.12.2012		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>41,527,796</b>	<b>41,483,062</b>	<b>83,010,858</b>	<b>28,678,608</b>	<b>32,845,633</b>	<b>61,524,241</b>
<b>I. GUARANTEES</b>	<b>(III-1)</b>	<b>4,752,585</b>	<b>6,589,434</b>	<b>11,342,019</b>	<b>4,026,181</b>	<b>6,277,038</b>	<b>10,303,219</b>
1.1 Letters of guarantee		3,910,749	3,963,656	7,874,405	3,404,363	3,282,596	6,686,959
1.1.1 Guarantees subject to State Tender Law		124,446	47,427	171,873	126,475	45,223	171,698
1.1.2 Guarantees given for foreign trade operations		345,982	80,397	426,379	291,135	92,238	383,373
1.1.3 Other letters of guarantee		3,440,321	3,835,832	7,276,153	2,986,753	3,145,135	6,131,888
1.2 Bank loans		-	271,178	271,178	-	903,219	903,219
1.2.1 Import letter of acceptance		-	271,178	271,178	-	901,081	901,081
1.2.2 Other bank acceptances		-	-	-	-	2,138	2,138
1.3 Letters of credit		381	1,355,974	1,356,355	4,666	1,383,535	1,388,201
1.3.1 Documentary letters of credit		381	275,508	275,889	4,666	712,337	717,003
1.3.2 Other letters of credit		-	1,080,466	1,080,466	-	671,198	671,198
1.4 Refinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		839,960	580,709	1,420,669	615,588	416,601	1,032,189
1.9 Other collaterals		1,495	417,917	419,412	1,564	291,087	292,651
<b>II. COMMITMENTS</b>	<b>(III-1)</b>	<b>10,147,570</b>	<b>1,303,708</b>	<b>11,451,278</b>	<b>8,121,959</b>	<b>1,721,679</b>	<b>9,843,638</b>
2.1 Irrevocable commitments		10,147,570	1,303,708	11,451,278	8,121,959	1,721,679	9,843,638
2.1.1 Forward asset purchase commitments		566,850	1,175,708	1,742,558	223,497	1,085,809	1,309,306
2.1.2 Forward deposit purchase and sales commitments		-	101,194	101,194	-	614,094	614,094
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		3,853,680	79	3,853,759	2,942,347	77	2,942,424
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		2,002,630	-	2,002,630	1,879,298	-	1,879,298
2.1.8 Tax and fund liabilities from export commitments		12,503	-	12,503	11,709	-	11,709
2.1.9 Commitments for credit card expenditure limits		3,545,841	-	3,545,841	2,933,697	-	2,933,697
2.1.10 Commitments for promotions related with credit cards and banking activities		4,451	-	4,451	5,978	-	5,978
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		161,615	26,727	188,342	125,433	21,699	147,132
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-2)</b>	<b>26,627,641</b>	<b>33,589,920</b>	<b>60,217,561</b>	<b>16,530,468</b>	<b>24,846,916</b>	<b>41,377,384</b>
3.1 Derivative financial instruments for hedging purposes		4,187,813	327,712	4,515,525	3,877,112	718,101	4,595,213
3.1.1 Fair value hedge		271,779	327,712	599,491	723,435	718,101	1,441,536
3.1.2 Cash flow hedge		3,916,034	-	3,916,034	3,153,677	-	3,153,677
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		22,439,828	33,262,208	55,702,036	12,653,356	24,128,815	36,782,171
3.2.1 Forward foreign currency buy/sell transactions		3,908,750	4,941,701	8,850,451	1,957,068	4,308,912	6,265,980
3.2.1.1 Forward foreign currency transactions-buy		1,284,444	3,160,656	4,445,100	889,152	2,239,623	3,128,775
3.2.1.2 Forward foreign currency transactions-sell		2,624,306	1,781,045	4,405,351	1,067,916	2,069,289	3,137,205
3.2.2 Swap transactions related to f. c. and interest rates		9,773,165	16,573,516	26,346,681	4,336,866	9,057,194	13,394,060
3.2.2.1 Foreign currency swap-buy		3,805,355	6,303,715	10,109,070	1,828,627	3,879,851	5,708,478
3.2.2.2 Foreign currency swap-sell		3,796,230	6,202,995	9,999,225	2,208,239	3,531,841	5,740,080
3.2.2.3 Interest rate swaps-buy		1,085,790	2,033,403	3,119,193	150,000	822,751	972,751
3.2.2.4 Interest rate swaps-sell		1,085,790	2,033,403	3,119,193	150,000	822,751	972,751
3.2.3 Foreign currency, interest rate and securities options		8,757,913	11,746,991	20,504,904	6,359,422	10,762,709	17,122,131
3.2.3.1 Foreign currency options-buy		3,969,496	6,255,824	10,225,320	2,484,511	5,888,061	8,372,572
3.2.3.2 Foreign currency options-sell		4,576,617	5,426,705	10,003,322	3,674,911	4,764,000	8,438,911
3.2.3.3 Interest rate options-buy		111,800	32,231	144,031	100,000	55,324	155,324
3.2.3.4 Interest rate options-sell		100,000	32,231	132,231	100,000	55,324	155,324
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>117,549,955</b>	<b>22,075,502</b>	<b>139,625,457</b>	<b>96,666,114</b>	<b>20,428,677</b>	<b>117,094,791</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>24,552,795</b>	<b>1,608,448</b>	<b>26,161,243</b>	<b>17,371,199</b>	<b>1,910,257</b>	<b>19,281,456</b>
4.1 Assets under management		1,726,140	-	1,726,140	2,673,619	-	2,673,619
4.2 Investment securities held in custody		14,269,099	316,944	14,586,043	6,867,762	224,537	7,092,299
4.3 Checks received for collection		8,179,150	858,542	9,037,692	7,491,624	691,837	8,183,461
4.4 Commercial notes received for collection		378,204	112,718	490,922	337,024	79,087	416,111
4.5 Other assets received for collection		103	320,244	320,347	1,071	914,796	915,867
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		99	-	99	99	-	99
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>92,871,177</b>	<b>20,427,595</b>	<b>113,298,772</b>	<b>79,160,610</b>	<b>18,484,245</b>	<b>97,644,855</b>
5.1 Marketable securities		583,589	19,982	603,571	1,119,384	37,339	1,156,723
5.2 Guarantee notes		47,538,076	13,536,458	61,074,534	42,307,284	11,388,609	53,695,893
5.3 Commodity		70,351	166,369	236,720	26,992	350,093	377,085
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		38,660,715	4,912,365	43,573,080	30,854,746	5,629,882	36,484,628
5.6 Other pledged items		6,018,446	1,792,421	7,810,867	4,852,204	1,078,322	5,930,526
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>125,983</b>	<b>39,459</b>	<b>165,442</b>	<b>134,305</b>	<b>34,175</b>	<b>168,480</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>159,077,751</b>	<b>63,558,564</b>	<b>222,636,315</b>	<b>125,344,722</b>	<b>53,274,310</b>	<b>178,619,032</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD  
FROM 1 JANUARY TO 31 DECEMBER 2013**

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

**III. STATEMENT OF INCOME**

	Section 5 Note Ref	Audited Current Period 01.01-31.12.2013	Audited Prior Period 01.01-31.12.2012
<b>I. INTEREST INCOME</b>	<b>(IV-1)</b>	<b>4,017,519</b>	<b>3,938,416</b>
1.1 Interest on loans		3,637,658	3,470,225
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		7,470	9,642
1.4 Interest received from money market placements		10,925	49,486
1.5 Interest received from marketable securities portfolio		360,936	401,565
1.5.1 Held-for-trading financial assets		62,448	61,231
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		290,595	340,334
1.5.4 Investments held-to-maturity		7,893	-
1.6 Finance lease income		-	-
1.7 Other interest income		530	7,498
<b>II. INTEREST EXPENSE</b>	<b>(IV-2)</b>	<b>2,045,280</b>	<b>2,093,702</b>
2.1 Interest on deposits		1,732,069	1,734,143
2.2 Interest on funds borrowed		200,577	264,508
2.3 Interest on money market borrowings		46,087	42,284
2.4 Interest on securities issued		32,288	37,311
2.5 Other interest expense		34,259	15,456
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>1,972,239</b>	<b>1,844,714</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>647,518</b>	<b>536,890</b>
4.1 Fees and commissions received		952,413	864,861
4.1.1 Non-cash loans		101,264	84,161
4.1.2 Other	(IV-12)	851,149	780,700
4.2 Fees and commissions paid		304,895	327,971
4.2.1 Non-cash loans		1,383	1,227
4.2.2 Other	(IV-12)	303,512	326,744
<b>V. DIVIDEND INCOME</b>	<b>(IV-3)</b>	<b>4,940</b>	<b>18,063</b>
<b>VI. NET TRADING INCOME</b>	<b>(IV-4)</b>	<b>71,704</b>	<b>(81,463)</b>
6.1 Securities trading gains/ (losses)		41,694	30,251
6.2 Gains/ (losses) from derivative financial instruments		458,119	(479,873)
6.3 Foreign exchange gains/ (losses)		(428,109)	368,159
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-V)</b>	<b>99,638</b>	<b>91,951</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2,796,039</b>	<b>2,410,155</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-6)</b>	<b>395,018</b>	<b>273,902</b>
<b>X. OTHER OPERATING EXPENSES (-) (*)</b>	<b>(IV-7)</b>	<b>1,701,857</b>	<b>1,482,592</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>699,164</b>	<b>653,661</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(IV-8)</b>	<b>699,164</b>	<b>653,661</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS</b>	<b>(IV-9)</b>	<b>164,116</b>	<b>157,683</b>
16.1 Current income tax (charge)/benefit (*)		60,125	242,282
16.2 Deferred tax (charge)/benefit		103,991	(84,599)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)</b>	<b>(IV-10)</b>	<b>535,048</b>	<b>495,978</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>(IV-8)</b>	-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS</b>	<b>(IV-9)</b>	-	-
21.1 Current income tax (charge)/benefit		-	-
21.2 Deferred tax (charge)/benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)</b>	<b>(IV-10)</b>	-	-
<b>XXIII. NET PROFIT/LOSS (XVII±XXII)</b>	<b>(IV-11)</b>	<b>535,048</b>	<b>495,978</b>
23.1 Group's profit/loss		535,048	495,978
23.2 Minority shares profit / loss (-)		-	-
Earnings per share		0.2427	0.2250

(\*) The classification mentioned in the 3rd part XXIV numbered note has been restructured in prior year statement of income.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED  
FOR UNDER EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Audited Current Period 01.01-31.12.2013	Audited Prior Period 01.01-31.12.2012
<b>I.</b>		
<b>Additions to marketable securities revaluation differences for available for sale financial assets</b>	<b>(105,299)</b>	<b>204,477</b>
<b>II.</b>		
<b>Tangible assets revaluation differences</b>	-	-
<b>III.</b>		
<b>Intangible assets revaluation differences</b>	-	-
<b>IV.</b>		
<b>Foreign exchange differences for foreign currency transactions</b>	-	-
<b>V.</b>		
<b>Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)</b>	<b>102,314</b>	<b>(67,713)</b>
<b>VI.</b>		
<b>Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)</b>	-	-
<b>VII.</b>		
<b>The effect of correction of errors and changes in accounting policies</b>	-	-
<b>VIII.</b>		
<b>Other profit loss items accounted for under equity due to TAS (*)</b>	<b>24,001</b>	<b>(12,938)</b>
<b>IX.</b>		
<b>Deferred tax of valuation differences (*)</b>	<b>(4,204)</b>	<b>(24,765)</b>
<b>X.</b>		
<b>Total Net Profit/Loss accounted for under equity (I+II+...+IX)</b>	<b>16,812</b>	<b>99,061</b>
<b>XI.</b>		
<b>Profit/Loss</b>	<b>(71,004)</b>	<b>(2,768)</b>
11.1		
Change in fair value of marketable securities (Transfer to Profit/Loss)	(71,004)	(2,768)
11.2		
Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3		
Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4		
Other	-	-
<b>XII.</b>		
<b>Total Profit/Loss accounted for the period (X±XI)</b>	<b>(54,192)</b>	<b>96,293</b>

(\*) The classification mentioned in the 3rd part XXIV numbered note has been restructured in prior year balance sheet.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012**

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

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited		Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extra- ordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
Prior Period – 01.01-31.12.2012																				
I	Beginning Balance – 31.12.2011		2,204,390	200,262	2,565	-	111,333	-	937,628	534,716	-	216,172	(99,270)	100,483	527	4,505	-	4,213,311	-	4,213,311
II.	Corrections according to TAS 8																			
2.1	The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effects of changes in accounting policy.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		2,204,390	200,262	2,565	-	111,333	-	937,628	534,716	-	216,172	(99,270)	100,483	527	4,505	-	4,213,311	-	4,213,311
Changes in period																				
IV.	Increase/Decrease related to merger	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	(V-b)	-	-	-	-	-	-	-	-	-	-	160,815	-	-	-	-	160,815	-	160,815
VI.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(54,171)	-	(54,171)	-	(54,171)
6.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(54,171)	-	(54,171)	-	(54,171)
6.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other (*)		-	-	-	-	-	-	(10,351)	-	-	-	-	-	-	-	-	(10,351)	-	(10,351)
XIX.	Period net income/(loss)		-	-	-	-	-	-	-	-	495,978	-	-	-	-	-	-	495,978	-	495,978
XX.	Profit distribution		-	-	-	-	10,334	-	195,433	-	(206,675)	-	-	908	-	-	-	-	-	-
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	10,334	-	195,433	-	(206,675)	-	-	908	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance 31.12.2012</b>																				
<b>(III+IV+V+VI+VII+VIII+IX+X+XI+XII+ XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)</b>			<b>2,204,390</b>	<b>200,262</b>	<b>2,565</b>	<b>-</b>	<b>121,667</b>	<b>-</b>	<b>1,133,061</b>	<b>524,365</b>	<b>495,978</b>	<b>9,497</b>	<b>61,545</b>	<b>101,391</b>	<b>527</b>	<b>(49,666)</b>	<b>-</b>	<b>4,805,582</b>	<b>-</b>	<b>4,805,582</b>

(\*) The classification mentioned in the 3rd part XXIV numbered note has been restructured in prior year statement of changes in shareholders' equity.

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013**

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

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. On Capital and Other Capital		Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extra- ordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity	
			Reserves	Reserves																	
<b>Current Period 01.01-31.12.2013</b>																					
<b>I Beginning Balance – 31.12.2012</b>		2,204,390	200,262	2,565	-	121,667	-	1,133,061	524,365	-	505,475	61,545	101,391	527	(49,666)	-	4,805,582	-	4,805,582		
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>II. Increase/Decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Marketable securities valuation differences</b>	(V-a)	-	-	-	-	-	-	-	-	-	-	(155,244)	-	-	-	-	(155,244)	-	(155,244)		
<b>IV. Hedging Funds (Effective Portion)</b>	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	81,851	-	81,851	-	81,851		
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	81,851	-	81,851	-	81,851		
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>V. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VI. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VIII. Foreign exchange differences</b>	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>IX. The disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>X. The reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XI. The effect of change in associate's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XII. Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XIII. Share premium</b>	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XV. Inflation adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>XVI. Other</b>		-	-	-	-	-	-	-	19,201	-	-	-	-	-	-	-	-	19,201	-	19,201	
<b>XVII. Period net income/(loss)</b>		-	-	-	-	-	-	-	-	535,048	-	-	-	-	-	-	-	535,048	-	535,048	
<b>XVIII. Profit distribution</b>		-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-		
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
18.2 Transfers to reserves	(V-g)	-	-	-	-	24,281	-	308,541	163,156	-	(495,978)	-	-	-	-	-	-	-	-		
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Closing Balance 31.12.2013</b>																					
<b>(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)</b>		<b>2,204,390</b>	<b>200,262</b>	<b>2,565</b>	<b>-</b>	<b>145,948</b>	<b>-</b>	<b>1,441,602</b>	<b>706,722</b>	<b>535,048</b>	<b>9,497</b>	<b>(93,699)</b>	<b>101,391</b>	<b>527</b>	<b>32,185</b>	<b>-</b>	<b>5,286,438</b>	<b>-</b>	<b>5,286,438</b>		

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



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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1  
JANUARY TO 31 DECEMBER 2013**

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

**VI. STATEMENT OF CASH FLOWS**

	<b>Section 5 Note Ref</b>	<b>Audited Current Period 01.01-31.12.2013</b>	<b>Audited Prior Period 01.01-31.12.2012</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>1,579,621</b>	<b>1,372,402</b>
1.1.1 Interest received		3,458,200	3,982,233
1.1.2 Interest paid		(1,900,804)	(2,005,921)
1.1.3 Dividend received		3,234	18,063
1.1.4 Fees and commissions received		1,142,753	1,020,278
1.1.5 Other income		530,094	593,931
1.1.6 Collections from previously written off loans		377,028	332,418
1.1.7 Payments to personnel and service suppliers		(725,162)	(634,396)
1.1.8 Taxes paid		(109,084)	(200,244)
1.1.9 Others (**)	(VI-1)	(1,196,638)	(1,733,960)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(2,789,425)</b>	<b>(1,799,666)</b>
1.2.1 Net (decrease) increase in financial assets held for trading		(213,875)	498,742
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(7,718)	2,103
1.2.4 Net increase in loans		(8,719,348)	(3,890,224)
1.2.5 Net increase in other assets	(VI-1)	(1,881,042)	(2,051,946)
1.2.6 Net increase (decrease) in bank deposits		1,682,419	(1,166,272)
1.2.7 Net increase in other deposits		4,908,369	5,928,019
1.2.8 Net increase (decrease) in funds borrowed		1,612,290	(1,349,272)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net (increase) decrease in other liabilities	(VI-1)	(170,520)	229,184
<b>I. Net cash provided from / (used in) banking operations</b>		<b>(1,209,804)</b>	<b>(427,264)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from/ (used in) investing activities</b>		<b>(672,485)</b>	<b>426,746</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed asset purchases		(145,227)	(73,933)
2.4 Fixed asset sales		1,742	28,289
2.5 Cash paid for purchase of financial assets available for sale		(6,732,881)	(1,858,058)
2.6 Cash obtained from sale of financial assets available for sale		6,245,467	2,347,387
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		3,078	-
2.9 Others	(VI-1)	(44,664)	(16,939)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from/ (used in) financing activities</b>		<b>219,844</b>	<b>236,642</b>
3.1 Cash obtained from funds borrowed and securities issued		696,130	485,755
3.2 Cash used for repayment of funds borrowed and securities issued		(476,286)	(249,107)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	(6)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(VI-1)	<b>28,013</b>	<b>(16,322)</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(1,634,432)</b>	<b>219,802</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(VI-2)	<b>3,467,204</b>	<b>3,247,402</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(VI-2)	<b>1,832,772</b>	<b>3,467,204</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED PROFIT DISTRIBUTION TABLE FOR THE PERIOD FROM 1  
JANUARY TO 31 DECEMBER 2013**

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

**VII. PROFIT DISTRIBUTION TABLE**

	(*) Audited Current Period 31.12.2013	Audited Prior Period 31.12.2012	
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>			
1.1	CURRENT YEAR INCOME	699,164	653,661
1.2	TAXES AND DUTIES PAYABLE (-)	164,116	157,683
1.2.1	Corporate tax (Income tax)	60,125	242,282
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	103,991	(84,599)
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>535,048</b>	<b>495,978</b>
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	24,281
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>535,048</b>	<b>471,697</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (preemptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of preferred shares	-	-
1.9.3	To owners of preferred shares (preemptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	308,541
1.13	OTHER RESERVES	-	163,156
1.14	SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVE</b>			
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (preemptive rights)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>			
3.1	TO OWNERS OF ORDINARY SHARES	0.2427	0.2250
3.2	TO OWNERS OF ORDINARY SHARES ( % )	24.27	22.50
3.3	TO OWNERS OF PREFERRED SHARES	-	-
3.4	TO OWNERS OF PREFERRED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3	TO OWNERS OF PREFERRED SHARES	-	-
4.4	TO OWNERS OF PREFERRED SHARES ( % )	-	-

(\*) A of 31December 2013 when the financial statement has been finalized, The general Assembly meeting did not performed.

(\*\*) The amount shown in other tax and liabilities is tax loss/gain which will not included in profit distribution.

(\*\*\*) The classification mentioned in the 3rd part XXIV numbered note has been restructured in prior year statement of income..

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

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**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The Bank prepares financial statements and notes according to Regulation Principles and Procedures on Banks' Accounting Practice and Keeping Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation.

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

**Additional paragraph for convenience of translation into English:**

The differences between accounting principles, as described in the preceding paragraphs, and 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.

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

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

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

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

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

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

**III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures**

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

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

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

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

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

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

As of 1 July 2008, the Bank has adopted fair value hedge accounting in order to avoid the effects of interest rate changes in the market by matching a portion of its swap portfolio with its loan portfolio. As of August 2011, the Bank has also adopted cash flow hedge accounting by matching a portion of its swap portfolio with its deposit basis. The Bank documents relations between hedging instrument and hedged item on transaction date, in conjunction with strategies on objectives of the Bank's risk management and hedging transactions for hedging purposed transactions. Besides, the Bank that effectively values fair value changes of hedged items that are balanced by derivative transactions for hedging purposes documented regularly. In case, hedging transactions do not to meet the hedging accounting conditions, adjustments to fair value of hedged item, which are rediscounted within days to maturity, are reflected in Income Statement.

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**ACCOUNTING PRINCIPLES (Continued)**

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

Bank has started a fair value hedge for the value of its fixed coupon government bonds in September 2012 by using swaps as hedging instruments

While the Bank recognizes the fair value changes of the hedged items in the “other interest income” and “other interest expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “gains/(losses) from derivative financial instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “other interest income” and “other interest expense” accounts.

**V. Explanations on Interest Income and Expenses**

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

**VI. Explanations on Fees and Commission Income and Expenses**

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

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

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

**VII. Explanations on Financial Assets**

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VII. Explanations on Financial Assets (Continued)**

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

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

*Cash, Banks, and Other Financial Institutions*

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

*Financial Assets at Fair Value through Profit and Loss*

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

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as “Impairment Provision on Marketable Securities”.

*Held to Maturity Investments and Financial Assets Available for Sale*

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

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

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

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VII. Explanations on Financial Assets (Continued)**

*Held to Maturity Investments and Financial Assets Available for Sale (Continued)*

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

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

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

Government debt securities with TL224,275 nominal value which had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value amounting to TL287,008 as of 25 September 2013. As of 25 September, accumulated valuation difference amounting to negative TL38,362 for reclassified available for sale securities are followed under shareholders’ equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 31 December 2013, total accumulated valuation difference of these securities followed under shareholders’ equity is negative TL36,973. Detail information for this classification was described at 5th chapter in 6-b note.

*Loans and Provisions for Impairment*

Loans are financial assets those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

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

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

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette No. 27119 dated 23 January 2009. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

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

Releases of loan loss provisions are booked in “Other Operating Income” account and reversed from the “Provision and Impairment Expenses - Specific Provision Expense” account in the income statement. The related non-performing loans have been from the accounts. Sales income that has been netted off with “Provision for Loan Losses and Other Receivables” in the financials.

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VII. Explanations on Financial Assets (Continued)**

*Loans and Provisions for Impairment (Continued)*

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

**VIII. Explanations on Impairment of Financial Assets**

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

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

**IX. Explanations on Offsetting of Financial Assets and Liabilities**

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

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

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

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

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

As of 31 December 2013, the Bank does not has any reverse repo (31 December 2012: TL1,700,295).

As of 31 December 2013, the Bank does not have any marketable securities lending transaction (31 December 2012: None).



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**ACCOUNTING PRINCIPLES (Continued)**

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

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

As of 31 December 2013, assets held for sale of the Bank are TL83,217 (31 December 2012: TL61,590). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL4,961 (31 December 2012: TL1,291) has been reserved as provision for impairment losses.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

**XII. Explanations on Goodwill and Other Intangible Assets**

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XII. Explanations on Goodwill and Other Intangible Assets (Continued)**

Under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

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

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

The other intangible assets of the Group comprise mainly softwares. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Softwares used are mainly developed within the Bank by the Bank’s personnel and the related expenses are not capitalized.

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

**XIII. Explanations on Tangible Fixed Assets**

Properties are accounted for at their restated costs until 31 December 2004; after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XIII. Explanations on Tangible Fixed Assets (Continued)**

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

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

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

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

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

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

**XIV. Explanations on Leasing Transactions**

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

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

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

The Bank does not have any leasing transactions as “Lessor”.

**XV. Explanations on Provisions and Contingent Liabilities**

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

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

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**XVI. Explanations on Liabilities Regarding Employee Benefits**

*Defined Benefit Plans*

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

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 December 2013 is TL85,297 (31 December 2012: TL89,898).

	<b>31 December 2013</b>	<b>31 December 2012</b>
Discount Rate (%)	9.92	6.91
Expected Inflation Rate (%)	6.45	4.78
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

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**ACCOUNTING PRINCIPLES (Continued)**

**XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)**

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2013, actuarial profit after deferred tax effect amounting to TL19,201 was classified as “Other Comprehensive Income” and as of 31 December 2013 a total of TL8,850 actuarial profit was accounted under “Other Share Capital”.

Employees transferred to the Bank following the business combination defined in “General Information” of the Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2013, the Pension Fund has 2,401 employees and 918 pensioners (31 December 2012: 2,571 employees and 873 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years.

According to the related regulation, all other outstanding social rights and payments of participants (even though they are covered in their respective settlement deed) shall be covered by the companies employing pension fund participants following the transfer of the pension fund participants and/or those that are paid annuities and their beneficiaries to the Social Security Institution.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2013. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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

*Defined Contribution Plans*

The Bank pays contributions to Social Security Funds and to “Security Fund” whose members joined to the Bank as a consequence of merger.

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**ACCOUNTING PRINCIPLES (Continued)**

**XVII. Explanations on Taxation**

*Corporate tax*

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

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

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

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

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

*Deferred Tax Liability / Asset*

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

As of 31 December 2013 and 31 December 2012, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax assets and liabilities are presented as net on assets on the balance sheet and deferred tax liability presented as net on liabilities on balance sheet. Deferred tax charge has been presented on statement of profit and loss amounting to TL103,991 (31 December 2012: TL84,599 deferred tax income). Portion of deferred tax accounted for under equity related to valuation differences has been netted and presented within relevant equity account groups on statement of profit and loss accounted under equity; TL21,059 credit (31 December 2012: TL40,896 debit) from available-for-sale financial assets, TL4,800 debit (31 December 2012: TL2,588 credit) from actuarial profit and loss, TL20,463 debit (31 December 2012: TL13,543 credit) from hedge, TL17,751 credit (31 December 2012: TL692 credit) transfer to profit and loss in period, total TL13,547 credit (31 December 2012: TL24,073 debit) amount recorded.

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XVIII. Additional Explanations on Borrowings**

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

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

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

The Bank has not issued convertible bonds.

**XIX. Explanations on Issued Share Certificates**

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

**XX. Explanations on Acceptances**

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

**XXI. Explanations on Government Incentives**

There are no government incentives utilized by the Bank.

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**ACCOUNTING PRINCIPLES (Continued)**

**XXII. Explanations on Reporting According to Segmentation**

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

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net interest income	332,308	199,948	759,062	680,921	1,972,239
Net fees and commissions income and other operating income	166,804	137,698	251,097	191,557	747,156
Trading profit / loss	(442)	(3,407)	(1,271)	76,824	71,704
Dividend income	-	-	-	4,940	4,940
Impairment provision for loans and other receivables (-)	160,378	(8,878)	112,020	131,498	395,018
Other operating expenses (-)	292,867	40,855	406,179	961,956	1,701,857
<b>Profit before taxes</b>	<b>45,425</b>	<b>302,262</b>	<b>490,689</b>	<b>(139,212)</b>	<b>699,164</b>
Tax provision (-)	-	-	-	164,116	164,116
<b>Net profit for the period</b>	<b>45,425</b>	<b>302,262</b>	<b>490,689</b>	<b>(303,328)</b>	<b>535,048</b>

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment assets	9,431,252	8,075,811	17,004,574	18,729,125	53,240,762
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	167,866	167,866
<b>Total Assets</b>	<b>9,431,252</b>	<b>8,075,811</b>	<b>17,004,574</b>	<b>18,896,991</b>	<b>53,408,628</b>
Segment liabilities	19,489,191	8,767,630	5,934,189	13,931,180	48,122,190
Shareholders' equity	-	-	-	5,286,438	5,286,438
<b>Total Liabilities</b>	<b>19,489,191</b>	<b>8,767,630</b>	<b>5,934,189</b>	<b>19,217,618</b>	<b>53,408,628</b>

<b>Prior Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net interest income	283,583	206,735	761,939	592,457	1,844,714
Net fees and commissions income and other operating income	149,223	126,609	200,208	152,801	628,841
Trading profit / loss	(2,579)	167	(714)	(78,337)	(81,463)
Dividend income	-	-	-	18,063	18,063
Impairment provision for loans and other receivables (-)	84,451	28,793	118,937	41,721	273,902
Other operating expenses (-) (*)	226,090	42,837	357,681	855,984	1,482,592
<b>Profit before taxes</b>	<b>119,686</b>	<b>261,881</b>	<b>484,815</b>	<b>(212,721)</b>	<b>653,661</b>
Tax provision (-)	-	-	-	157,683	157,683
<b>Net profit for the period</b>	<b>119,686</b>	<b>261,881</b>	<b>484,815</b>	<b>(370,404)</b>	<b>495,978</b>

<b>Prior Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment assets	7,118,453	6,699,774	13,364,946	16,181,296	43,364,469
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	167,866	167,866
<b>Total Assets</b>	<b>7,118,453</b>	<b>6,699,774</b>	<b>13,364,946</b>	<b>16,349,162</b>	<b>43,532,335</b>
Segment liabilities	15,850,708	7,606,923	5,169,332	10,099,790	38,726,753
Shareholder's equity	-	-	-	4,805,582	4,805,582
<b>Total Liabilities</b>	<b>15,850,708</b>	<b>7,606,923</b>	<b>5,169,332</b>	<b>14,905,372</b>	<b>43,532,335</b>

(\*) The classification mentioned in the 3rd part XXIV numbered note has been done in prior year financial statement.



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**ACCOUNTING PRINCIPLES (Continued)**

**XXIII. Explanations on Other Matters**

It has been resolved in the Ordinary General Assembly dated 25 March 2013 the Bank, TL485,627 that constitutes the 2012 net balance sheet profit shall be transferred to the extraordinary reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL24,281 as legal reserves, TL163,156 as other capital reserves, TL0.40 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.04 (full TL) as legal reserves.

**XXIV. Classification**

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official as Gazette dated 12 March 2013 numbered 28585 by the Public Oversight Auditing and Accounting Standards Authority (POA) entered into force to be effective for the accounting periods starting after 31 December 2012 for accounting of differences in actuarial assumptions or actuarial income and loss realized due to differences between actuarial assumptions and the actual. Standard commands to start practice retroactively under “transition and enforcement date” title. Therefore, as of 31 December 2012, amount that were required to be accounted as " Other Comprehensive Income " is reflected in prior period profit/ loss account with the classification. As a result of this classification, as of 1 January 2013 prior period profit/ loss was increased by TL10,351 and “Other Capital Reserves” was decreased by the same amount. Before the arrangement , as of 31 December 2012 the Bank’s profit before taxes was amounted TL640,722, the Bank’s net profit was amounted TL485,627.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations Related to Capital Adequacy Standard Ratio**

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 28 June 2012 and Official Gazette numbered 28337 and "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333. The Bank's unconsolidated capital adequacy ratio is occurred 14.23% (31 December 2012: 15.24%) in accordance with the related Communiqué as of 31 December 2013.

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

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

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the capital adequacy ratio:**

Current Period-31 December 2013	Risk Weight									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories</b>										
Conditional and unconditional receivables from central governments or central banks	10,777,742	-	-	-	-	143,176	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	284,303	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	4,286	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	829,610	861,663	-	375,412	12,863	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	20,121,169	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	11,830,769	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,762,102	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	323,122	16,923	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	568,702	1,249,767	2,775,002	40,018	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	680,115	-	13,553	-	-	2,584,590	-	-	-	-
<b>Total Value at Risk</b>	<b>11,457,857</b>	<b>-</b>	<b>1,127,466</b>	<b>5,623,765</b>	<b>11,830,769</b>	<b>24,120,457</b>	<b>1,279,553</b>	<b>2,775,002</b>	<b>40,018</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>-</b>	<b>225,493</b>	<b>2,811,883</b>	<b>8,873,077</b>	<b>24,120,457</b>	<b>1,919,330</b>	<b>5,550,004</b>	<b>100,045</b>	<b>-</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information related to the capital adequacy ratio: (Continued)**

Prior Period-31 December 2012	Risk Weight									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories</b>										
Conditional and unconditional receivables from central governments or central banks	8,035,816	-	-	-	-	5,213	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	150,383	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	13,291	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1,370,990	861,313	-	276,328	14,268	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	13,436,857	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	13,642,037	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	4,443,785	248,643	152,207	-	-	-	-
Past due receivables	-	-	-	-	-	243,189	14,270	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	26,379	858,747	1,252,069	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	641,382	-	-	-	-	1,794,155	-	-	-	-
<b>Total Value at Risk</b>	<b>8,677,198</b>	<b>-</b>	<b>1,521,373</b>	<b>5,305,098</b>	<b>13,890,680</b>	<b>15,947,619</b>	<b>887,285</b>	<b>1,252,069</b>	<b>-</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>-</b>	<b>304,275</b>	<b>2,652,549</b>	<b>10,418,010</b>	<b>15,947,619</b>	<b>1,330,928</b>	<b>2,504,138</b>	<b>-</b>	<b>-</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Summary information related to the capital adequacy ratio:**

	<b>Current Period</b>	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	3,488,023	2,652,601
Capital Requirement for Market Risk (CRMR)	69,240	37,474
Capital Requirement for Operational Risk (CROR) (*)	300,586	274,451
Shareholders' Equity	6,860,593	5,647,740
Shareholders' Equity / ((CRCR+CRMR+CROR)*12.5)*100	14.23	15.24

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

**Information related to the components of shareholders' equity:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
Paid-in Capital	2,204,390	2,204,390
Nominal Capital	2,204,390	2,204,390
Capital Commitments (-)	-	-
Inflation Adjustments to Paid-in Capital	200,262	200,262
Share Premium	2,565	2,565
Share Cancellation Profits	-	-
Reserves (*)	2,245,489	1,730,310
Inflation Adjustments to Reserves	-	-
Profit	544,545	505,475
Current Period's Profit (*)	535,048	495,978
Prior Period's Profit	9,497	9,497
Provision for Possible Losses (up to 25% of Core Capital)	-	-
Income on Sale of Equity Shares and Real Estates	101,391	101,391
Primary Subordinated Debts	212,970	178,230
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	76,969	54,151
Intangible Assets (-)	473,933	443,401
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>4,960,710</b>	<b>4,425,071</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	537,702	405,305
45% of Revaluation Surplus on Movables	-	-
45% of Revaluation Surplus on Immovables	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	527
Primary Subordinated Debts excluding the portion included in Core Capital	-	-
Secondary Subordinated Debts	1,462,838	791,715
45% of Securities Value Increase Fund	(93,699)	27,695
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1,907,368</b>	<b>1,225,242</b>
<b>CAPITAL</b>	<b>6,868,078</b>	<b>5,650,313</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>7,485</b>	<b>2,573</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	-	-
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	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	6,763	1,324
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	631	1,162
Securitization Positions to be Deducted from Equity	-	-
Other Deduction Items	91	87
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>6,860,593</b>	<b>5,647,740</b>

(\*) The classification mentioned in the 3rd part XXIV numbered note has been done in prior year financial statement.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. Explanations Related to Capital Adequacy Standard Ratio (Continued)**

**Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

According to definition and evaluation not to be exposed to risk at present or in the future , The Bank has created "Internal Capital Adequacy Evaluation Process" in order to provide development and implementation of proper risk management techniques aimed at reviewing and managing risks at issue , and providing sufficient capitalization to compensate risks at issue. Planning and performing the Evaluation Process responsibilities belongs to Group Risk Management (GRM) in accordance with article 45 of "Communiqué on Banks' Internal Control and Risk Management Systems ". GRM includes contribution of Internal Audit, Internal Control and Department of Financial Affairs to demand and process to provide optimum comprehensive approach of Evaluation process. Evaluation process that is included countable and uncountable risks is risk-oriented and prudential, and constitutes a clearly connection between risk types and required capital level. Risk types considered on Evaluation Process is defined on the Evaluation Report and Risk Management Regulation.

Process and Evaluation Report is submitted to Board of Directors after being approved by Risk Policies Committee and Audit Committee

**II. Explanations Related to Credit Risk**

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

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

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

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

According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 27119 dated 23 January 2009; Non-required delay time Loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as "Non-Performing Loan" in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as "impaired receivables" without considering refinancing or addition accrued interest and quasi-interest loading to principal.

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (Continued)**

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

<b>Exposure classifications</b>	<b>Current Period Risk Amount(*)</b>	<b>Average Risk Amount(*,**)</b>
Conditional and unconditional receivables from central governments or central banks	10,920,918	10,031,975
Conditional and unconditional receivables from regional or local governments	285,812	213,705
Conditional and unconditional receivables from administrative units and non-commercial enterprises	4,286	8,706
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,196,099	2,505,782
Conditional and unconditional corporate receivables	21,236,245	19,056,965
Conditional and unconditional retail receivables	12,056,635	12,676,912
Conditional and unconditional secured mortgage receivables	4,762,102	4,673,820
Past due receivables	340,045	316,410
Receivables defined in high risk category by BRSA	4,633,878	3,364,316
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	3,295,913	2,867,658

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

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

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and proceeds related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (Continued)**

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

As of 31 December 2013, the receivables of the Bank from its top 100 and top 200 cash loan customers amount is TL4,406,014 and TL5,866,873, and share in total cash loans are respectively 11.66% and 15.52%.

As of 31 December 2013, the receivables of the Bank from its top 100 ve top 200 non-cash loan customers amount to TL4,482,319 and TL5,535,948 with a share of 39.52% and 48.81% respectively in the total non-cash loans.

As of 31 December 2013, the share of cash and non-cash receivables of the Bank from its top 100 ve top 200 loan customers in total balance sheet and off-balance sheet assets is 5.19 % and 6.92% respectively.

As of 31 December 2013, the general loan loss provision related with the credit risk taken by the Bank is TL537,702 (31 December 2012: TL405,305).

**The table below shows the maximum exposure to credit risk for the components of the financial statements:**

	<b>Current Period</b>	<b>Prior Period</b>
Central Bank of Turkey	6,117,942	3,808,017
Due from banks	324,288	709,196
Other money markets	-	1,700,295
Trading financial assets	653,630	450,661
Derivative financial instruments held for trading	698,700	160,267
Derivative financial instruments for hedging purposes	112,245	16,883
Financial assets available-for-sale	4,258,648	4,257,614
Held-to-maturity investments	292,956	-
Loans	38,134,957	29,685,734
<b>Total</b>	<b>50,593,366</b>	<b>40,788,667</b>
Contingent liabilities	11,342,019	10,303,219
Commitments	11,451,278	9,843,638
<b>Total</b>	<b>22,793,297</b>	<b>20,146,857</b>
<b>Total credit risk exposure</b>	<b>73,386,663</b>	<b>60,935,524</b>

**Credit quality per class of financial assets as of 31 December 2013 and 31 December 2012 is as follows:**

<b>Current Period</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Loans and receivables			
Commercial loans	24,031,477	1,069,474	25,100,951
Consumer loans	9,738,680	632,355	10,371,035
Credit cards	2,463,627	199,344	2,662,971
Other	-	-	-
<b>Total</b>	<b>36,233,784</b>	<b>1,901,173</b>	<b>38,134,957</b>



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (Continued)**

<b>Prior Period</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Loans and receivables			
Commercial loans	18,909,988	911,967	19,821,955
Consumer loans	7,607,617	387,217	7,994,834
Credit cards	1,591,411	277,534	1,868,945
Other	-	-	-
<b>Total</b>	<b>28,109,016</b>	<b>1,576,718</b>	<b>29,685,734</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables		
Commercial loans	609,055	170,772
Consumer loans	440,937	315,599
Credit cards	3,642	-
<b>Total</b>	<b>1,053,634</b>	<b>486,371</b>

**Credit Rating System**

The credit risk is assessed through the internal rating system of the TEBCORE, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2013, consumer loans and business loans are excluded from the internal rating system of the Bank and those loans are about 39.31% of total loan portfolio. The risks that are subject to rating models can be allocated as follows.

<b>Category</b>	<b>Description of Category</b>	<b>Share in the Total %</b>
1st Category	The borrower has a very strong financial structure	36.51
2nd Category	The borrower has a good financial structure	26.18
3rd Category	The borrower has an intermediate level of financial structure	31.95
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	5.36
<b>Total</b>		<b>100.00</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Profile of significant exposures in major regions:**

	Exposure Categories															
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables
<b>Current Period</b>																
Domestic	351	56,531	-	-	-	507,777	16,392,923	7,153,335	2,317,559	348,298	8,062,169	-	-	-	-	2,224,026
European Union (EU)																
Countries	-	-	-	-	-	111,176	10,808	-	67	137	-	-	-	-	-	6,687
OECD Countries*	-	-	-	-	-	98,469	-	-	-	-	-	-	-	-	-	780
Off-Shore Banking																
Regions	142,825	-	-	-	-	3,928	123,107	28,479	18,812	26	-	-	-	-	-	-
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	10,933	89,105	6,519	759	45	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167,861
Assets/Liabilities**	-	631	4,286	-	-	319,755	4,620,302	1,854,145	43,853	-	31,621	-	-	-	-	205,603
<b>Total</b>	<b>143,176</b>	<b>57,162</b>	<b>4,286</b>	<b>-</b>	<b>-</b>	<b>1,052,038</b>	<b>21,236,245</b>	<b>9,042,478</b>	<b>2,381,050</b>	<b>348,506</b>	<b>8,093,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,604,957</b>

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Profile of significant exposures in major regions:**

	Exposure Categories															
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables
<b>Prior Period</b>																
Domestic	339	29,902	7,775	-	-	463,652	9,215,805	8,814,282	2,491,666	262,735	3,792,259	-	-	-	-	1,475,738
European Union (EU)																
Countries	-	-	-	-	-	147,419	23,608	45	103	13	-	-	-	-	-	-
OECD Countries*	-	-	-	-	-	2,939	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking																
Regions	4,874	-	-	-	-	80,748	35,581	43,104	11,873	1,541	-	-	-	-	-	-
USD, Canada	-	-	-	-	-	66,776	-	-	-	303	-	-	-	-	-	-
Other Countries	-	-	-	-	-	18,239	115,564	5,828	2,257	2	-	-	-	-	-	-
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167,861
Assets/Liabilities**	-	392	5,515	-	-	243,589	4,737,854	1,602,042	54,683	-	26,824	-	-	-	-	162,673
<b>Total</b>	<b>5,213</b>	<b>30,294</b>	<b>13,290</b>	<b>-</b>	<b>-</b>	<b>1,023,362</b>	<b>14,128,412</b>	<b>10,465,301</b>	<b>2,560,582</b>	<b>264,594</b>	<b>3,819,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,806,272</b>

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Risk profile by Sectors or Counterparties:**

Current Period	Exposure Categories																	TL (*)	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables				
<b>Agriculture</b>	-	-	-	-	-	-	1,563,044	175,545	166,131	21,208	354	-	-	-	-	1,761,622	164,660	1,926,282		
Farming and Husbandry	-	-	-	-	-	-	1,544,286	170,108	164,850	20,717	330	-	-	-	-	1,738,525	161,766	1,900,291		
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Fishery	-	-	-	-	-	-	18,758	5,437	1,281	491	24	-	-	-	-	23,097	2,894	25,991		
<b>Manufacturing</b>	-	9	-	-	-	-	11,329,370	2,780,573	370,712	109,351	12,778	-	-	-	-	9,078,303	5,524,490	14,602,793		
Mining and Quarrying	-	-	-	-	-	-	363,840	172,912	21,210	3,902	364	-	-	-	-	462,759	99,469	562,228		
Production	-	9	-	-	-	-	10,744,741	2,598,702	347,270	105,347	12,388	-	-	-	-	8,485,289	5,323,168	13,808,457		
Electricity, Gas and Water	-	-	-	-	-	-	220,789	8,959	2,232	102	26	-	-	-	-	130,255	101,853	232,108		
<b>Construction</b>	-	-	-	-	-	-	2,665,600	467,895	162,217	26,409	5,174	-	-	-	-	1,897,838	1,429,457	3,327,295		
<b>Services</b>	143,176	57,140	4,286	-	-	1,051,813	5,340,075	1,798,517	284,272	71,002	11,710	-	-	-	401,240	6,110,552	3,052,679	9,163,231		
Wholesale and Retail Trade	-	6,929	-	-	-	-	2,010,955	576,928	97,573	24,117	2,463	-	-	-	-	2,152,469	566,496	2,718,965		
Accommodation and Dining	-	-	-	-	-	-	511,091	94,670	48,033	3,330	382	-	-	-	-	412,874	244,632	657,506		
Transportation and Telecom.	-	-	-	-	-	-	1,340,343	302,695	44,660	28,895	1,000	-	-	-	5	1,136,838	580,760	1,717,598		
Financial Institutions	143,176	-	-	-	-	1,051,813	133,565	434,633	1,743	1,974	6,457	-	-	-	401,235	1,151,336	1,023,260	2,174,596		
Real Estate and Rental Services	-	2,500	-	-	-	-	837,008	242,359	61,479	7,678	718	-	-	-	-	581,813	569,929	1,151,742		
Professional Services	-	2,307	4,286	-	-	-	262,516	79,224	17,279	2,941	514	-	-	-	-	319,092	49,975	369,067		
Educational Services	-	1	-	-	-	-	37,654	14,911	2,164	205	45	-	-	-	-	52,823	2,157	54,980		
Health and Social Services	-	45,403	-	-	-	-	206,943	53,097	11,341	1,862	131	-	-	-	-	303,307	15,470	318,777		
<b>Other</b>	-	13	-	-	-	225	338,156	3,819,948	1,397,718	120,536	8,063,774	-	-	-	2,203,717	15,637,027	307,060	15,944,087		
<b>Total</b>	<b>143,176</b>	<b>57,162</b>	<b>4,286</b>	-	-	<b>1,052,038</b>	<b>21,236,245</b>	<b>9,042,478</b>	<b>2,381,050</b>	<b>348,506</b>	<b>8,093,790</b>	-	-	-	<b>2,604,957</b>	<b>34,485,342</b>	<b>10,478,346</b>	<b>44,963,688</b>		

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Risk profile by Sectors or Counterparties:**

Prior Period	Exposure Categories																FC	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables			TL (*)
<b>Agriculture</b>	-	-	-	-	-	-	519,275	744,293	74,854	9,294	277	-	-	-	-	-	1,160,889	187,104	1,347,993
Farming and Husbandry	-	-	-	-	-	-	457,228	684,877	69,355	8,681	175	-	-	-	-	-	1,056,280	164,036	1,220,316
Forestry	-	-	-	-	-	-	56,525	50,509	4,171	571	83	-	-	-	-	-	89,776	22,083	111,859
Fishery	-	-	-	-	-	-	5,522	8,907	1,328	42	19	-	-	-	-	-	14,833	985	15,818
<b>Manufacturing</b>	-	70	-	-	-	-	8,725,675	3,462,054	463,581	97,756	10,620	-	-	-	-	-	7,257,592	5,502,164	12,759,756
Mining and Quarrying	-	-	-	-	-	-	245,505	198,030	21,642	3,528	270	-	-	-	-	-	322,578	146,397	468,975
Production	-	70	-	-	-	-	8,361,744	3,248,781	440,358	94,086	10,327	-	-	-	-	-	6,846,076	5,309,290	12,155,366
Electricity, Gas and Water	-	-	-	-	-	-	118,426	15,243	1,581	142	23	-	-	-	-	-	88,938	46,477	135,415
<b>Construction</b>	-	-	-	-	-	-	1,705,687	549,278	160,740	21,714	5,206	-	-	-	-	-	1,427,381	1,015,244	2,442,625
<b>Services</b>	5,213	30,224	13,290	-	-	1,023,362	2,818,904	1,898,287	400,924	92,380	9,140	-	-	-	-	235,040	4,385,631	2,141,133	6,526,764
Wholesale and Retail Trade	-	1,845	-	-	-	-	1,106,652	765,471	137,460	21,296	1,901	-	-	-	-	2,769	1,648,878	388,516	2,037,394
Accommodation and Dining	-	-	-	-	-	-	305,717	143,618	58,077	3,128	284	-	-	-	-	-	329,017	181,807	510,824
Transportation and Telecom.	-	-	-	-	-	-	718,465	481,425	50,073	26,174	579	-	-	-	-	-	877,026	399,690	1,276,716
Financial Institutions	5,213	-	-	-	-	1,023,362	60,716	11,475	1,171	27,819	5,409	-	-	-	-	229,796	638,435	726,526	1,364,961
Real Estate and Rental Services	-	-	-	-	-	-	384,586	274,681	117,044	6,307	390	-	-	-	-	-	393,025	389,983	783,008
Professional Services	-	-	13,290	-	-	-	117,458	110,210	16,033	5,082	413	-	-	-	-	308	223,918	38,876	262,794
Educational Services	-	1	-	-	-	-	4,440	21,483	2,933	534	36	-	-	-	-	1,946	30,766	607	31,373
Health and Social Services	-	28,378	-	-	-	-	120,870	89,924	18,133	2,040	128	-	-	-	-	221	244,566	15,128	259,694
<b>Other</b>	-	-	-	-	-	-	358,871	3,811,389	1,460,483	43,450	3,793,840	-	-	-	-	1,571,232	10,767,832	271,433	11,039,265
<b>Total</b>	<b>5,213</b>	<b>30,294</b>	<b>13,290</b>	-	-	-	<b>1,023,362</b>	<b>14,128,412</b>	<b>10,465,301</b>	<b>2,560,582</b>	<b>264,594</b>	<b>3,819,083</b>	-	-	-	<b>1,806,272</b>	<b>24,999,325</b>	<b>9,117,078</b>	<b>34,116,403</b>

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

Current Period Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	142,825	-	-	-	351
Conditional and unconditional exposures to regional governments or local authorities	94	571	28	3,402	52,436
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	428,163	28,513	44,220	77,025	18,034
Conditional and unconditional exposures to corporates	5,758,704	854,950	1,213,569	2,483,728	5,659,876
Conditional and unconditional retail exposures	3,390,102	242,399	371,002	614,629	3,042,517
Conditional and unconditional exposures secured by real estate property	328,219	21,986	40,659	84,166	1,861,987
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	291,255	246,215	383,811	7,140,888
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	1,083,010	137,368	102,417	-	-
<b>Total</b>	<b>11,131,117</b>	<b>1,577,042</b>	<b>2,018,110</b>	<b>3,646,761</b>	<b>17,776,089</b>

Prior Period Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Conditional and unconditional exposures to central governments or central banks	-	-	4,875	-	338
Conditional and unconditional exposures to regional governments or local authorities	161	335	303	795	28,308
Conditional and unconditional receivables from administrative units and non-commercial enterprises	7,775	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	415,909	15,913	118,320	10,684	25,426
Conditional and unconditional exposures to corporates	4,150,645	511,960	1,036,269	1,203,068	2,487,326
Conditional and unconditional retail exposures	4,105,890	303,268	392,021	650,398	3,403,757
Conditional and unconditional exposures secured by real estate property	467,421	28,686	60,514	83,749	1,865,315
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	214,000	3,578,258
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	723,465	-	-	-	-
<b>Total</b>	<b>9,871,266</b>	<b>860,162</b>	<b>1,612,302</b>	<b>2,162,694</b>	<b>11,388,728</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Information about the risk exposure categories;**

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

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

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

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

**Exposures by risk weights:**

**Current Period**

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	11,457,857	-	1,135,516	5,725,797	12,056,635	25,261,006	1,280,103	2,775,002	40,018	-	558,470
Exposures after Credit Risk Mitigation	11,457,857	-	1,127,466	5,623,766	11,830,769	24,120,458	1,279,553	2,775,002	40,018	-	558,470

**Prior Period**

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	8,677,197	-	1,523,460	5,330,682	14,202,377	16,659,524	887,285	1,252,068	-	-	500,126
Exposures after Credit Risk Mitigation	8,677,197	-	1,521,372	5,305,097	13,890,680	15,947,620	887,285	1,252,069	-	-	500,126

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Informations in terms of major sectors and type of counterparties:**

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	48,380	126,551	5,494	28,206
Farming and Stockbreeding	47,639	120,715	5,241	27,917
Forestry	-	4,494	195	-
Fishery	741	1,342	58	289
Manufacturing	280,572	383,807	16,662	170,819
Mining and Quarrying	17,885	28,606	1,242	13,266
Production	262,400	354,569	15,393	157,357
Electricity, Gas and Water	287	632	27	196
Construction	54,568	85,179	3,698	27,918
Services	187,888	333,335	14,472	115,355
Wholesale and Retail Trade	65,600	99,021	4,299	42,067
Accommodation and Dining	7,538	35,631	1,547	3,998
Transportation and Telecom.	75,593	96,728	4,199	47,017
Financial Institutions	614	2,339	102	477
Real Estate and Rental Services	16,052	39,239	1,704	8,270
Professional Services	16,213	38,610	1,676	10,085
Educational Services	849	3,512	152	530
Health and Social Services	5,429	18,255	793	2,911
Other	296,713	632,256	27,448	185,778
<b>Total</b>	<b>868,121</b>	<b>1,561,128</b>	<b>67,774</b>	<b>528,076</b>

Prior Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	21,378	86,719	1,587	12,121
Farming and Stockbreeding	-	-	-	-
Forestry	21,146	85,378	1,562	11,937
Fishery	232	1,341	25	184
Manufacturing	236,712	356,163	6,513	143,239
Mining and Quarrying	9,800	1,710	31	9,306
Production	223,683	349,234	6,387	132,394
Electricity, Gas and Water	3,229	5,219	95	1,539
Construction	58,688	72,493	1,326	39,129
Services	146,721	294,972	5,395	83,790
Wholesale and Retail Trade	48,863	81,970	1,499	28,235
Accommodation and Dining	5,949	22,415	410	2,707
Transportation and Telecom.	57,115	67,513	1,235	32,720
Financial Institutions	1,216	21,283	389	868
Real Estate and Rental Services	12,153	27,721	507	6,040
Professional Services	-	-	-	-
Educational Services	954	4,647	85	529
Health and Social Services	20,471	69,423	1,270	12,691
Other	179,727	508,912	9,308	107,488
<b>Total</b>	<b>643,226</b>	<b>1,319,259</b>	<b>24,129</b>	<b>385,767</b>



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk (continued)**

**Information about Value Adjustment and Change in Provisions**

	<b>31.12.2012 Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Write off from Asset</b>	<b>Other Adjustments*</b>	<b>31.12.2013 Balance</b>
Specific Provisions	385,767	365,723	(109,167)	(114,247)	-	528,076
General Provisions	405,305	229,549	(97,152)	-	-	537,702

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

	<b>31.12.2011 Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Write off from Asset</b>	<b>Other Adjustments*</b>	<b>31.12.2012 Balance</b>
Specific Provisions	517,518	263,906	(90,144)	(305,513)	-	385,767
General Provisions	264,114	214,225	(73,034)	-	-	405,305

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

**III. Explanations Related to Market Risk**

The Bank’s risk management operations, applied in accordance with Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” and “Regulations about Bank’s Internal Systems” are conducted by The Board of Directors.

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

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

i) Information Related to Market Risk:

	<b>Amount</b>
(I) Capital Requirement against General Market Risk - Standard Method	18,163
(II) Capital Requirement against Specific Risks - Standard Method	884
Capital requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	5,977
(IV) Capital Requirement against Commodity Risks - Standard Method	-
(V) Capital Requirement against Exchange Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	831
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	43,385
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	69,240
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>865,500</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. Explanations Related to Market Risk (Continued)**

ii) Average market risk table calculated at month ends during the period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	17,433	23,084	12,486	21,605	33,157	10,113
Common Stock Risk	-	-	-	3,311	3,899	-
Currency Risk	6,807	15,529	3,803	5,849	9,429	3,103
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	1,139	2,254	570	473	1,913	1
Counterparty Credit Risk	31,168	49,993	17,344	15,407	17,946	13,055
<b>Total Value Subject to Risk (*)</b>	<b>706,824</b>	<b>906,625</b>	<b>479,850</b>	<b>585,398</b>	<b>832,617</b>	<b>329,714</b>

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

b) Information on Counterparty Credit Risk,

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

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

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

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

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. Explanations Related to Market Risk (continued)**

**Quantitative Information on Counterparty Risk:**

	<b>Purchase/Sell Accounts</b>	<b>Banking Accounts</b>	<b>Total</b>
Agreements based on Interest Rate	14,615	7,120	21,735
Agreement based on Foreign Exchange Currency	226,098	30,762	256,860
Agreement Based on Commodity	-	-	-
Agreement Based on Shares	-	-	-
Other	-	-	-
Gross Positive Fair Values	576,797	150,438	727,235
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	817,510	188,320	1,005,830

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

**IV. Explanations Related to Operational Risk**

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.

- b) In case of application of the Standart Method,

	<b>31.12.2010</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>Total/Positive Year</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	1,960,837	1,677,723	2,373,162	2,003,907	15	300,586
Amount subject to Operational Risk (Total*12,5)						3,757,326

	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2011</b>	<b>Total/Positive Year</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	1,850,461	1,960,837	1,677,723	1,829,674	15	274,451
Amount subject to Operational Risk (Total*12,5)						3,430,638

- c) The Bank does not use the standard method  
d) The Bank does not use any alternative approach in standart method

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**V. Explanations Related to Currency Risk**

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

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

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

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

As of 31 December 2013, the Bank's balance sheet long position is TL2,269,211 (31 December 2012: TL2,179,269 long position), off-balance sheet short position is TL2,713,582 (31 December 2012: TL2,583,595 short position) and as a result net foreign currency short position is TL444,371 (31 December 2012: TL404,326 net short position)

The announced current foreign exchange buying rates of the Bank at 31 December 2013 and the previous five working days in full TL are as follows:

	24.12.2013	25.12.2013	26.12.2013	27.12.2013	30.12.2013	31.12.2013
<b>USD</b>	2.0744	2.076	2.1122	2.1506	2.1189	2.1297
<b>JPY</b>	0.0199	0.0199	0.0202	0.0205	0.0202	0.0203
<b>EURO</b>	2.8341	2.8416	2.891	2.9684	2.9265	2.9346

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2013 are as follows:

	Monthly Average Foreign Exchange Rate
<b>USD</b>	2.0621
<b>JPY</b>	0.0199
<b>EURO</b>	2.8267

**Foreign currency sensitivity:**

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

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

Change in currency rate in %	Effect on profit or loss		Effect on equity (*)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
USD 10 increase	8,212	18,719	1	401
USD 10 decrease	(8,212)	(18,719)	(1)	(401)
EURO 10 increase	(672)	19,564	-	1
EURO 10 decrease	672	(19,564)	-	(1)

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**V. Explanations Related to Currency Risk (continued)**

**Information on the foreign currency risk of the Bank:**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,813,895	2,435,949	929,469	6,179,313
Banks	46,830	89,348	112,737	248,915
Financial Assets at Fair Value through Profit and Loss (*****)	7,344	13,087	310	20,741
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	258	1,692	6,149	8,099
Loans (**)	3,700,626	5,058,819	837,261	9,596,706
Subsidiaries, Associates and Entities Under Common Control				
(Joint Vent.)	61,254	-	-	61,254
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	63	-	63
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	154,709	9,113	212	164,034
<b>Total Assets</b>	<b>6,784,916</b>	<b>7,608,071</b>	<b>1,886,138</b>	<b>16,279,125</b>
<b>Liabilities</b>				
Bank Deposits	23,419	24,118	91,177	138,714
Foreign Currency Deposits (*)	3,343,740	5,828,125	1,044,330	10,216,195
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	5,031,983	2,173,805	833,921	8,039,709
Marketable Securities Issued	-	-	-	-
Sundry Creditors	30,358	114,731	2,741	147,830
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	2,466	2,875	547	5,888
<b>Total Liabilities</b>	<b>8,431,966</b>	<b>8,143,654</b>	<b>1,972,716</b>	<b>18,548,336</b>
<b>Net Balance Sheet Position</b>	<b>(1,647,050)</b>	<b>(535,583)</b>	<b>(86,578)</b>	<b>(2,269,211)</b>
<b>Net Off-Balance Sheet Position</b>	<b>2,203,401</b>	<b>390,560</b>	<b>119,621</b>	<b>2,713,582</b>
Financial Derivative Assets (****)	6,605,365	11,528,017	606,223	18,739,605
Financial Derivative Liabilities (****)	4,401,964	11,137,457	486,602	16,026,023
Non-Cash Loans (*****)	3,069,829	3,383,713	135,892	6,589,434
<b>Prior Period</b>				
Total Assets	4,741,035	5,253,559	1,646,236	11,640,830
Total Liabilities	6,118,983	6,117,183	1,583,933	13,820,099
Net Balance Sheet Position	(1,377,948)	(863,624)	62,303	(2,179,269)
Net Off-Balance Sheet Position	1,573,600	1,054,825	(44,830)	2,583,595
Financial Derivative Assets (****)	4,533,886	8,860,886	863,388	14,258,160
Financial Derivative Liabilities (****)	2,960,286	7,806,061	908,218	11,674,565
Non-Cash Loans (*****)	2,986,146	3,128,011	162,881	6,277,038

(\*) Precious metal accounts amounting to TL671,360 (31 December 2012: TL798,011) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed loans amounting to TL2,508,336 (31 December 2012: TL1,907,927) are included in the loan portfolio.

(\*\*\*) TL39,826 (31 December 2012: TL53,288) expense accruals from derivative financial instruments are deducted from other liabilities.

(\*\*\*\*) Forward asset and marketable securities purchase-sale commitments of TL626,064 (31 December 2012: TL654,449) are added to derivative financial assets and TL549,644 (31 December 2012: TL431,360) has been added to derivative financial liabilities.

(\*\*\*\*\*) TL32,146 (31 December 2012: TL55,161) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations Related to Interest Rate Risk**

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

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

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	6,811,610	6,811,610
Banks	93,692	4,048	2,045	-	-	224,503	324,288
Financial Assets at Fair Value Through Profit and Loss	6,222	81,065	514,508	61,016	14,872	674,647	1,352,330
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	497,168	1,080,022	1,073,855	1,555,819	30,929	20,855	4,258,648
Loans(*)	11,932,821	1,922,493	6,698,651	13,067,450	4,139,381	374,161	38,134,957
Held-To-Maturity Investments	28,988	80,163	183,805	-	-	-	292,956
Other Assets	-	1,948	21,653	29,459	3,252	2,177,527	2,233,839
<b>Total Assets</b>	<b>12,558,891</b>	<b>3,169,739</b>	<b>8,494,517</b>	<b>14,713,744</b>	<b>4,188,434</b>	<b>10,283,303</b>	<b>53,408,628</b>
<b>Liabilities</b>							
Bank Deposits	1,330,881	28,478	8,182	-	-	116,470	1,484,011
Other Deposits	19,667,238	7,272,654	487,812	68,409	-	5,307,850	32,803,963
Money Market Borrowings	1,062,443	-	-	-	-	-	1,062,443
Sundry Creditors	-	-	-	-	-	1,109,670	1,109,670
Marketable Securities Issued	-	278,005	432,271	-	-	-	710,276
Funds Provided From Other Financial Institutions	1,447,824	2,963,171	3,878,348	164,800	117,152	-	8,571,295
Other Liabilities	17,433	17,370	40,792	42,180	3,301	7,545,894	7,666,970
<b>Total Liabilities</b>	<b>23,525,819</b>	<b>10,559,678</b>	<b>4,847,405</b>	<b>275,389</b>	<b>120,453</b>	<b>14,079,884</b>	<b>53,408,628</b>
<b>Balance Sheet Long Position</b>	-	-	3,647,112	14,438,355	4,067,981	-	22,153,448
Balance Sheet Short Position	(10,966,928)	(7,389,939)	-	-	-	(3,796,581)	(22,153,448)
Off-Balance Sheet Long Position	634,851	2,411,576	-	-	-	-	3,046,427
Off-Balance Sheet Short Position	-	-	(1,619,693)	(1,156,183)	(158,017)	-	(2,933,893)
<b>Total Position</b>	<b>(10,332,077)</b>	<b>(4,978,363)</b>	<b>2,027,419</b>	<b>13,282,172</b>	<b>3,909,964</b>	<b>(3,796,581)</b>	<b>112,534</b>

(\*) Revolving loans amounting to 6,850,037 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL3,404 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL321,832, intangible assets amounting to TL473,933 subsidiaries amounting to TL167,861 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL83,217 while other liabilities line includes the shareholders’ equity of TL5,286,438.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations Related to Interest Rate Risk (Continued)**

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
<b>Prior Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency							
Cash, Money in Transit, Cheques							
Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	4,449,400	4,449,400
Banks	488,443	2,003	-	-	-	218,750	709,196
Financial Assets at Fair Value Through							
Profit and Loss	9,239	64,565	319,647	46,409	23,729	147,339	610,928
Money Market Placements	1,700,295	-	-	-	-	-	1,700,295
Available-For-Sale Financial Assets	657,247	591,949	1,692,639	1,221,580	69,596	24,603	4,257,614
Loans(*)	10,484,339	1,858,125	4,869,266	9,172,242	2,957,548	344,214	29,685,734
Held-To-Maturity							
Investments	-	-	-	-	-	-	-
Other Assets	-	-	714	10,088	1,175	2,107,191	2,119,168
<b>Total Assets</b>	<b>13,339,563</b>	<b>2,516,642</b>	<b>6,882,266</b>	<b>10,450,319</b>	<b>3,052,048</b>	<b>7,291,497</b>	<b>43,532,335</b>
Liabilities							
Bank Deposits	595,114	27,165	7,073	-	-	193,836	823,188
Other Deposits	14,498,979	7,901,617	1,292,884	64,427	8	4,145,462	27,903,377
Money Market Borrowings	40,916	-	-	-	-	-	40,916
Sundry Creditors	-	-	-	-	-	877,829	877,829
Marketable Securities Issued	287,660	-	206,577	-	-	-	494,237
Funds Provided From Other Financial							
Institutions	733,440	3,473,203	1,276,993	160,479	572,147	-	6,216,262
Other Liabilities	654	28	5,346	163,242	18,460	6,988,796	7,176,526
<b>Total Liabilities</b>	<b>16,156,763</b>	<b>11,402,013</b>	<b>2,788,873</b>	<b>388,148</b>	<b>590,615</b>	<b>12,205,923</b>	<b>43,532,335</b>
Balance Sheet Long Position	-	-	4,093,393	10,062,171	2,461,433	-	16,616,997
Balance Sheet Short Position	(2,817,200)	(8,885,371)	-	-	-	(4,914,426)	(16,616,997)
Off-Balance Sheet Long Position	974,971	1,598,199	-	-	-	-	2,573,170
Off-Balance Sheet Short Position	-	-	(150,000)	(1,448,474)	(766,726)	(221,048)	(2,586,248)
<b>Total Position</b>	<b>(1,842,229)</b>	<b>(7,287,172)</b>	<b>3,943,393</b>	<b>8,613,697</b>	<b>1,694,707</b>	<b>(5,135,474)</b>	<b>(13,078)</b>

(\*) Revolving loans amounting to TL6,859,836 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL16,309 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL246,833 intangible assets amounting to TL443,401, subsidiaries amounting to TL167,861 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL61,590 while other liabilities line includes the shareholders’ equity of TL4,805,582.

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**VI. Explanations Related to Interest Rate Risk (Continued)**

**Average interest rates applied to monetary financial instruments:**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Current Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	0.09	-	7.62
Financial Assets at Fair Value Through Profit and Loss	2.86	5.44	-	9.49
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	4.25	5.17	-	9.52
Loans	4.18	4.30	3.46	11.77
Held-To-Maturity Investments	-	-	-	11.34
Liabilities				
Bank Deposits	1.44	1.37	-	5.60
Other Deposits	2.51	2.60	0.16	8.72
Money Market Borrowings	-	-	-	6.68
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	8.32
Funds Provided From Other Financial Institutions	1.67	2.46	2.42	8.12
<b>Prior Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	0.30	-	5.64
Financial Assets at Fair Value Through Profit and Loss	2.29	4.21	-	5.97
Money Market Placements	-	-	-	6.33
Available-For-Sale Financial Assets	3.01	2.81	-	5.87
Loans	4.50	5.21	4.71	12.61
Held-To-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	1.95	0.58	-	5.02
Other Deposits	2.65	2.82	0.51	8.35
Money Market Borrowings	-	-	-	5.25
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	7.02
Funds Provided From Other Financial Institutions	1.59	2.97	2.44	9.69

**Interest rate risk on banking accounts:**

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities

Early repayment rate of loans is determined upon reviewing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.



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**VI. Explanations Related to Interest Rate Risk (Continued)**

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

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
TRY	(400)	864,647	12.60%
TRY	500	(930,990)	(13.57)%
EURO	(200)	19,774	0.29%
EURO	200	(16,890)	(0.25)%
USD	(200)	65,434	0.95%
USD	200	(58,972)	(0.86)%
<b>Total (of negative shocks)</b>	<b>(800)</b>	<b>949,855</b>	<b>13.84%</b>
<b>Total (of positive shocks)</b>	<b>900</b>	<b>(1,006,852)</b>	<b>(14.68)%</b>

**Equity share position risk in banking accounts**

Equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

**VII. Explanations Related to Liquidity Risk**

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank’s policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Parent Bank continuously determines standards for the liquidity proportions, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Bank manages its maturity risk within the limits determined by Bank’s Board of Directors.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need from deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Bank is in a lender position.

Considering specific stressors related to general market and banking, liquidity position is assessed and managed through various scenarios. The most important of these scenarios is to proceed with net liquid assets/ loans to customers ratio within the limit.

	Current Year %	Prior Year %
Average	23	23
Maximum	32	30
Minimum	18	17

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Presentation of assets and liabilities according to their remaining maturities:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over Undistributed 5 Years</b>	<b>(*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,546,637	5,264,973	-	-	-	-	-	6,811,610
Banks	224,503	93,692	4,048	2,045	-	-	-	324,288
Financial Assets at Fair Value Through Profit and Loss	-	163,427	173,029	768,460	229,600	17,814	-	1,352,330
Money Market Placements Available-For-Sale Financial Assets	20,855	7,952	573,776	956,302	2,338,262	361,501	-	4,258,648
Loans(**)	-	11,880,801	1,422,723	6,628,416	13,570,288	4,292,684	340,045	38,134,957
Held-To-Maturity Investments	-	-	-	-	-	292,956	-	292,956
Other Assets	-	-	42,898	21,653	44,441	3,252	2,121,595	2,233,839
<b>Total Assets</b>	<b>1,791,995</b>	<b>17,410,845</b>	<b>2,216,474</b>	<b>8,376,876</b>	<b>16,182,591</b>	<b>4,968,207</b>	<b>2,461,640</b>	<b>53,408,628</b>
<b>Liabilities</b>								
Bank Deposits	116,470	1,330,881	28,478	8,182	-	-	-	1,484,011
Other Deposits	5,307,850	19,667,238	7,272,654	487,812	68,409	-	-	32,803,963
Funds Provided From Other Financial Institutions	-	1,005,753	1,396,289	4,007,767	590,809	1,570,677	-	8,571,295
Money Market Borrowings	-	1,062,443	-	-	-	-	-	1,062,443
Marketable Securities Issued	-	-	278,005	432,271	-	-	-	710,276
Sundry Creditors	-	1,109,670	-	-	-	-	-	1,109,670
Other Liabilities	-	1,010,009	135,428	337,454	80,361	3,301	6,100,417	7,666,970
<b>Total Liabilities</b>	<b>5,424,320</b>	<b>25,185,994</b>	<b>9,110,854</b>	<b>5,273,486</b>	<b>739,579</b>	<b>1,573,978</b>	<b>6,100,417</b>	<b>53,408,628</b>
<b>Liquidity Gap</b>	<b>(3,632,325)</b>	<b>(7,775,149)</b>	<b>(6,894,380)</b>	<b>3,103,390</b>	<b>15,443,012</b>	<b>3,394,229</b>	<b>(3,638,777)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	1,331,882	16,103,765	1,539,519	6,807,911	11,816,660	3,572,854	2,359,744	43,532,335
Total Liabilities	4,339,298	18,018,522	10,207,256	3,692,244	845,465	948,808	5,480,742	43,532,335
<b>Liquidity Gap</b>	<b>(3,007,416)</b>	<b>(1,914,757)</b>	<b>(8,667,737)</b>	<b>3,115,667</b>	<b>10,971,195</b>	<b>2,624,046</b>	<b>(3,120,998)</b>	<b>-</b>

(\*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(\*\*) Revolving loans amounting to TL6,850,037 (31 December 2012: TL6,859,836) are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL3,404 (31 December 2012: TL16,309) are included in “1-5 Years”.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Analysis of financial liabilities by remaining contractual maturities:**

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
<b>As of 31 December 2013,</b>								
Money Market Borrowings	-	1,062,666	-	-	-	-	(223)	1,062,443
Deposit	5,307,850	19,712,320	7,359,152	496,829	73,687	-	(145,875)	32,803,963
Bank Deposit	116,470	1,331,298	28,556	8,591	-	-	(904)	1,484,011
Other Financial Instuion	-	-	-	-	-	-	-	-
Funds provided from other	-	1,016,195	1,409,771	4,115,659	906,174	1,915,467	(791,971)	8,571,295
<b>Total</b>	<b>5,424,320</b>	<b>23,122,479</b>	<b>8,797,479</b>	<b>4,621,079</b>	<b>979,861</b>	<b>1,915,467</b>	<b>(938,973)</b>	<b>43,921,712</b>
<b>As of 31 December 2012,</b>								
Money Market Borrowings	-	40,916	-	-	-	-	-	40,916
Deposit	4,145,462	14,533,694	8,000,307	1,332,916	70,060	14	(179,076)	27,903,377
Bank Deposit	193,836	595,336	27,414	7,296	-	-	(694)	823,188
Other Financial Instuion	-	-	-	-	-	-	-	-
Funds provided from other	-	69,507	737,772	3,872,717	954,822	1,210,239	(628,795)	6,216,262
<b>Total</b>	<b>4,339,298</b>	<b>15,239,453</b>	<b>8,765,493</b>	<b>5,212,929</b>	<b>1,024,882</b>	<b>1,210,253</b>	<b>(808,565)</b>	<b>34,983,743</b>

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of 31 December 2013,</b>						
<b>Derivative financial instruments for hedging purposes</b>						
Fair value hedge	-	497,383	7,718	124,002	-	629,103
Cash flow hedge	16,296	3,458	131,843	102,146	630	254,373
<b>Held for trading transactions</b>						
Foreign exchange forward contracts-sell	1,689,767	937,028	1,407,110	371,446	-	4,405,351
Currency swaps-sell	2,968,384	3,314,337	2,727,239	1,016,684	-	10,026,644
Interest rate swaps-sell	14,002	16,075	42,538	38,654	3,100	114,369
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,415,519	2,995,020	4,581,282	11,501	-	10,003,322
<b>Total</b>	<b>7,103,968</b>	<b>7,763,301</b>	<b>8,897,730</b>	<b>1,664,433</b>	<b>3,730</b>	<b>25,433,162</b>
<b>As of 31 December 2012,</b>						
<b>Derivative financial instruments for hedging purposes</b>						
Fair value hedge	1,804	13,835	30,126	1,486,575	-	1,532,340
Cash flow hedge	18,992	21,014	98,328	158,780	2,228	299,342
<b>Held for trading transactions</b>						
Foreign exchange forward contracts-sell	1,008,768	1,000,792	1,071,242	56,403	-	3,137,205
Currency swaps-sell	2,014,994	981,540	2,550,928	220,795	-	5,768,257
Interest rate swaps-sell	5,754	1,031	5,951	22,098	692	35,526
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,387,868	3,064,581	2,985,520	942	-	8,438,911
<b>Total</b>	<b>5,438,180</b>	<b>5,082,793</b>	<b>6,742,095</b>	<b>1,945,593</b>	<b>2,920</b>	<b>19,211,581</b>

Cash disposal of derivative financial instruments is shown above table.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Securitization positions:**

The Bank does not apply securitization as of 31 December 2013 (31 December 2012: None).

**Credit Risk Mitigation Techniques:**

- a) Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and bank’s net-off usage level,

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

- b) Applications regarding valuation and management of collaterals,

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

- c) Types of collaterals received,

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

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

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Credit Risk Mitigation Techniques (Continued):**

f) Collaterals in terms of Risk Categories:

**Current Period**

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	143,176	-	-	-
Conditional and unconditional receivables from regional or local governments	56,861	1,533	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	4,286	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	991,461	128,187	-	-
Conditional and unconditional corporate receivables	20,121,169	1,305,357	-	-
Conditional and unconditional retail receivables	8,873,076	281,814	-	-
Conditional and unconditional secured mortgage receivables	2,381,051	-	-	-
Past due receivables	348,506	-	-	-
Receivables in high risk category defined by BRSA	8,093,402	1,226	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	2,587,301	17,656	-	-
<b>Total</b>	<b>43,600,289</b>	<b>1,735,773</b>	-	-

**Prior Period**

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	5,213	-	-	-
Conditional and unconditional receivables from regional or local governments	30,077	1,147	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,291	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,002,584	51,860	-	-
Conditional and unconditional corporate receivables	13,436,857	808,448	-	-
Conditional and unconditional retail receivables	10,231,528	377,771	-	-
Conditional and unconditional secured mortgage receivables	2,560,582	-	-	-
Past due receivables	264,594	-	-	-
Receivables in high risk category defined by BRSA	3,818,638	1,523	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,794,154	12,118	-	-
<b>Total</b>	<b>33,157,518</b>	<b>1,252,867</b>	-	-

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies:**

a) Strategies and practices on risk management,

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

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

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

b) Structure and organization of Risk management system,

Risk Management activities consist of; risk measurement, risk monitoring, risk control and reporting. Risk Management activities are performed by Group Risk Management and its staff.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

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

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

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

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

i) Credit Risk

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

ii) Market Risk

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

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

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

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

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

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

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

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

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

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

Nominal amount limits defined for bond portfolio, VaR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management.

Both interest rate and liquidity GAP calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (Continued)**

**Risk management objectives and policies: (Continued)**

ii) Market Risk (Continued)

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

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

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

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>43,010,849</b>	<b>36,352,839</b>	<b>43,276,801</b>	<b>36,533,012</b>
Money Market Placements	-	1,700,295	-	1,700,295
Banks	324,288	709,196	324,288	709,196
Available-For-Sale Financial Assets	4,258,648	4,257,614	4,258,648	4,257,614
Held-To-Maturity Investments	292,956	-	288,676	-
Loans	38,134,957	29,685,734	38,405,189	29,865,907
<b>Financial Liabilities</b>	<b>45,741,658</b>	<b>36,355,809</b>	<b>45,723,147</b>	<b>36,362,714</b>
Bank Deposit	1,484,011	823,188	1,484,456	823,069
Other Deposit	32,803,963	27,903,377	32,804,974	27,909,252
Funds Borrowed From Other Financial Institutions (*)	9,633,738	6,257,178	9,633,738	6,257,178
Marketable Securities Issued	710,276	494,237	690,309	495,386
Sundry Creditors	1,109,670	877,829	1,109,670	877,829

(\*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions

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

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

- Tier 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Tier 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Tier 1, that are observable either directly or indirectly in the market.
- Tier 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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

<b>31 December 2013</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	653,630	698,700	-	1,352,330
<i>Public sector debt securities</i>	653,630	-	-	653,630
<i>Derivative financial assets held for trading</i>	-	698,700	-	698,700
Derivative financial assets for hedging purposes	-	112,245	-	112,245
Available-for-sale financial assets	4,231,387	16,852	-	4,248,239
<i>Public sector debt securities</i>	4,230,167	7,626	-	4,237,793
<i>Other available-for-sale financial assets(*)</i>	1,220	9,226	-	10,446
<b>Financial Liabilities</b>				
Derivative financial liabilities held for trading	-	481,711	-	481,711
Derivative financial liabilities for hedging purposes	-	69,255	-	69,255
<b>31 December 2012</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	450,661	160,267	-	610,928
<i>Public sector debt securities</i>	450,661	-	-	450,661
<i>Derivative financial assets held for trading</i>	-	160,267	-	160,267
Derivative financial assets for hedging purposes	-	16,883	-	16,883
Available-for-sale financial assets	4,234,831	14,099	-	4,248,930
<i>Public sector debt securities</i>	4,228,137	4,874	-	4,233,011
<i>Other available-for-sale financial assets(*)</i>	6,694	9,225	-	15,919
<b>Financial Liabilities</b>				
Derivative financial liabilities held for trading	-	233,199	-	233,199
Derivative financial liabilities for hedging purposes	-	168,507	-	168,507

(\*) TL10,409 (31 December 2012: TL8,684) at cost not included.

There is no transition between Tier 1 and Tier 2 in the current year.

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

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Disclosures Related to the Assets**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	307,322	366,380	321,742	269,293
Balances with the Central Bank of Turkey	324,975	5,792,967	447,116	3,360,901
Other	-	19,966	-	50,348
<b>Total</b>	<b>632,297</b>	<b>6,179,313</b>	<b>768,858</b>	<b>3,680,542</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	324,975	-	447,116	-
Unrestricted time deposit	-	527,994	-	30
Restricted time deposit	-	5,264,973	-	3,360,871
<b>Total</b>	<b>324,975</b>	<b>5,792,967</b>	<b>447,116</b>	<b>3,360,901</b>

TL527,994 (31 December 2012: TL30) foreign currency unrestricted deposit, TL5,264,973 (31 December 2012: TL3,360,871) foreign currency restricted deposit and TL324,975 (31 December 2012: TL447,116) TL unrestricted deposit balance comprises of reserve deposits. As of 31 December 2013, the Turkish Lira required reserve ratios are determined to be within the range of 5% and 11.50% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2012: 5%-11% for all Turkish Lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 6% and 13% (31 December 2012: 6%-11% for all foreign currency liabilities).

**2. Information on financial assets at fair value through profit and loss (net):**

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2012: None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Net book value of unrestricted financial assets at fair value through profit and loss is TL653,630 (31 December 2012: TL450,661)

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**2. Information on financial assets at fair value through profit and loss (net): (Continued)**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	166,898	11,137	19,485	14,216
Swap Transactions	254,056	16,242	55,499	30,456
Futures Transactions	-	-	-	-
Options	235,910	14,457	23,338	17,273
Other	-	-	-	-
<b>Total</b>	<b>656,864</b>	<b>41,836</b>	<b>98,322</b>	<b>61,945</b>

**3. a) Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	8,171	59,683	410,269	44,650
Foreign	67,202	189,232	30,757	223,520
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>75,373</b>	<b>248,915</b>	<b>441,026</b>	<b>268,170</b>

**b) Information on foreign banks**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	93,398	147,580	-	-
USA and Canada	22,706	25,594	-	-
OECD Countries(*)	3,452	1,711	-	-
Off-Shore Banking Regions	135,235	78,579	-	-
Other	1,643	813	-	-
<b>Total</b>	<b>256,434</b>	<b>254,277</b>	-	-

(\*)EU countries, OECD countries except USA and Canada

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	738,279	-	307,756	-
Other	-	-	-	-
<b>Total</b>	<b>738,279</b>	-	<b>307,756</b>	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,097,509	-	42,596	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,097,509</b>	-	<b>42,596</b>	-

Net book value of unrestricted financial assets available-for-sale is TL2,422,860 (31 December 2012: TL3,907,262).

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**I. Explanations and Disclosures Related to the Assets (Continued)**

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

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,237,793	4,233,011
Quoted on a stock exchange	4,237,793	4,233,011
Not quoted	-	-
Share certificates	20,855	24,603
Quoted on a stock exchange(*)	1,220	6,694
Not quoted	19,635	17,909
Impairment provision (-)	-	-
<b>Total</b>	<b>4,258,648</b>	<b>4,257,614</b>

(\*) Mutual funds participation certificate amount is TL1,220 (31 December 2012: TL1,172).

All unquoted available for sale equities are recorded at fair value except for the Bank’s investment of TL10,409 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2012: TL8,684).

**5. Information on loans:**

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	7,130	10	697	4
Corporate shareholders	6,540	-	245	-
Real person shareholders	590	10	452	4
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	57,035	-	50,797	-
<b>Total</b>	<b>64,165</b>	<b>10</b>	<b>51,494</b>	<b>4</b>

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms		Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
	Cash Loans	Restructured or Rescheduled	Other	Restructured or Rescheduled	Other	
<b>Non-specialized loans</b>	<b>36,233,784</b>	<b>783,456</b>	-	<b>1,561,128</b>	<b>270,178</b>	-
Working capital loans	-	-	-	-	-	-
Export loans	4,768,563	74,768	-	23,032	10,414	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	683,713	-	-	27	-	-
Consumer loans(**)	9,738,680	406,669	-	556,612	34,268	-
Credit cards	2,463,627	-	-	158,436	3,642	-
Other	18,579,201	302,019	-	823,021	221,854	-
<b>Specialized loans</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>36,233,784</b>	<b>783,456</b>	-	<b>1,561,128</b>	<b>270,178</b>	-

(\*) The total principal amount of the loans under close monitoring in accordance with the requirements of the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” amended on 6 February 2008.

(\*\*) TL3,404 income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

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

	<b>Performing Loans and Other Receivables (*)</b>	<b>Loans and Other Receivables under Follow-up (*)</b>
<b>Number of extensions</b>		
1 or 2 times	775,690	263,801
3,4 or 5 times	4,904	5,677
Over 5 times	2,862	700
<b>Total</b>	<b>783,456</b>	<b>270,178</b>

<b>Extension Periods</b>	<b>Performing Loans and Other Receivables (*)</b>	<b>Loans and Other Receivables under Follow-up(*)</b>
0-6 months	148,172	136,886
6-12 months	92,338	15,231
1-2 years	213,591	48,492
2-5 years	297,635	66,739
5 years and over	31,720	2,830
<b>Total</b>	<b>783,456</b>	<b>270,178</b>

(\*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables" published on the Official Gazette no. 27947 dated 28 May 2011 5th paragraph of the provisional Article 4a.

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

<b>Cash Loans</b>	<b>Standard Loans and Other Receivables</b>		<b>Loans and Other Receivables Under Close Monitoring</b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>
<b>Short-term loans and other receivables</b>	<b>18,226,757</b>	<b>132,576</b>	<b>667,256</b>	<b>90,519</b>
Non-specialized loans	18,226,757	132,576	667,256	90,519
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and long-term loans and other receivables</b>	<b>18,007,027</b>	<b>650,880</b>	<b>893,872</b>	<b>179,659</b>
Non-specialized loans	18,007,027	650,880	893,872	179,659
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>36,233,784</b>	<b>783,456</b>	<b>1,561,128</b>	<b>270,178</b>

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>167,555</b>	<b>9,638,379</b>	<b>9,805,934</b>
Housing Loans	5,329	5,470,144	5,475,473
Vehicle Loans	8,957	719,568	728,525
General Purpose Loans	153,269	3,448,296	3,601,565
Other	-	371	371
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>71,657</b>	<b>71,657</b>
Housing Loans	-	68,259	68,259
Vehicle Loans	-	-	-
General Purpose Loans	-	3,398	3,398
Other	-	-	-
<b>Consumer Loans-FC (**)</b>	<b>365</b>	<b>33,732</b>	<b>34,097</b>
Housing Loans	-	9,498	9,498
Vehicle Loans	-	17,079	17,079
General Purpose Loans	365	7,155	7,520
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>1,836,313</b>	<b>-</b>	<b>1,836,313</b>
With Installments	916,313	-	916,313
Without Installments	920,000	-	920,000
<b>Individual Credit Cards-FC</b>	<b>7,187</b>	<b>-</b>	<b>7,187</b>
With Installments	790	-	790
Without Installments	6,397	-	6,397
<b>Personnel Loans-TL</b>	<b>4,001</b>	<b>26,015</b>	<b>30,016</b>
Housing Loans	-	103	103
Vehicle Loans	-	-	-
General Purpose Loans	4,001	25,912	29,913
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>23,250</b>	<b>-</b>	<b>23,250</b>
With Installments	11,392	-	11,392
Without Installments	11,858	-	11,858
<b>Personnel Credit Cards-FC</b>	<b>187</b>	<b>-</b>	<b>187</b>
With Installments	-	-	-
Without Installments	187	-	187
<b>Overdraft Accounts-TL(Real Persons) (*)</b>	<b>353,325</b>	<b>-</b>	<b>353,325</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>263</b>	<b>-</b>	<b>263</b>
<b>Total</b>	<b>2,392,446</b>	<b>9,769,783</b>	<b>12,162,229</b>

(\*) Overdraft Accounts include personnel loans amounting to TL3,582.

(\*\*) Loans granted via branches abroad.

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**5. Information on loans: (Continued)**

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Commercial loans with installment facility-TL</b>	<b>1,688,602</b>	<b>3,493,955</b>	<b>5,182,557</b>
Business Loans	56,475	140,533	197,008
Vehicle Loans	281,920	524,338	806,258
General Purpose Loans	1,350,207	2,829,084	4,179,291
Other	-	-	-
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>207,038</b>	<b>386,202</b>	<b>593,240</b>
Business Loans	4,691	28,218	32,909
Vehicle Loans	37,195	119,541	156,736
General Purpose Loans	165,152	238,443	403,595
Other	-	-	-
<b>Commercial loans with installment facility –FC</b>	<b>5,999</b>	<b>-</b>	<b>5,999</b>
Business Loans	-	-	-
Vehicle Loans	1,017	-	1,017
General Purpose Loans	4,982	-	4,982
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>752,768</b>	<b>-</b>	<b>752,768</b>
With Installments	360,108	-	360,108
Without Installments	392,660	-	392,660
<b>Corporate Credit Cards-FC</b>	<b>2,358</b>	<b>-</b>	<b>2,358</b>
With Installments	-	-	-
Without Installments	2,358	-	2,358
<b>Overdraft Accounts-TL(Legal Entities)</b>	<b>711,668</b>	<b>-</b>	<b>711,668</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>142</b>	<b>-</b>	<b>142</b>
<b>Total</b>	<b>3,368,575</b>	<b>3,880,157</b>	<b>7,248,732</b>

f) Allocation of loans by customers

	<b>Current Period</b>	<b>Prior Period</b>
Public sector	477,256	189,294
Private sector	37,317,656	29,238,981
<b>Total</b>	<b>37,794,912</b>	<b>29,428,275</b>

g) Domestic and foreign loans

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	37,451,346	29,137,301
Foreign loans	343,566	290,974
<b>Total</b>	<b>37,794,912</b>	<b>29,428,275</b>

h) Loans granted to subsidiaries and associates:

	<b>Current Period</b>	<b>Prior Period</b>
Direct loans granted to subsidiaries and associates	-	-
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

i) Specific provisions provided against loans:

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	23,408	15,599
Loans and receivables with doubtful collectability	88,774	49,918
Uncollectible loans and receivables	415,894	320,250
<b>Total</b>	<b>528,076</b>	<b>385,767</b>

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

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

	<b>III. Group Loans and receivables with limited collectability</b>	<b>IV. Group Loans and receivables with doubtful collectability</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Current Period</b> (Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	12,775	7,985	4,612
<b>Prior period</b> (Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	8,647	3,811	5,307

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

	<b>III. Group Loans and receivables with limited collectability</b>	<b>IV. Group Loans and receivables with doubtful collectability</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Prior period end balance</b>	<b>95,428</b>	<b>125,325</b>	<b>422,473</b>
Additions (+)	688,509	15,016	16,760
Transfers from other categories of non-performing loans (+)	-	519,317	333,043
Transfers to other categories of non-performing loans (-)	519,317	333,043	-
Collections (-)	125,001	103,336	148,691
Write-offs (-) (*)	226	976	117,160
Corporate and commercial loans	161	769	66,664
Retail loans	35	119	25,508
Credit cards	30	88	24,988
Other	-	-	-
<b>Current period end balance</b>	<b>139,393</b>	<b>222,303</b>	<b>506,425</b>
Specific provision (-)	23,408	88,774	415,894
<b>Net Balances on Balance Sheet</b>	<b>115,985</b>	<b>133,529</b>	<b>90,531</b>

(\*) Amounting to TL117,132 past due receivable portfolio for which TL114,247 provision had been allocated, is sold to LBT Varlık Yönetimi A.Ş. for TL9,310, and after all the sales procedures were completed at 28 June 2013 with the completion of the necessary procedures, and the related non-performing loans have been written off from the accounts.

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(Continued)**

**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

j.3) Information on foreign currency non-performing loans and other receivables:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>31 December 2013</b>			
Period End Balance	1,854	5,514	13,698
Specific Provision (-)	299	1,503	10,884
<b>Net Balance</b>	<b>1,555</b>	<b>4,011</b>	<b>2,814</b>
<b>31 December 2012</b>			
Prior Period End Balance	1,438	1,379	16,581
Specific Provision (-)	145	372	10,136
<b>Net Balance</b>	<b>1,293</b>	<b>1,007</b>	<b>6,445</b>

The foreign currency loans in the table above are stated in TL in the financial statements of the bank.

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	139,393	222,303	506,425
Specific Provision (-)	23,408	88,774	415,894
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>115,985</b>	<b>133,529</b>	<b>90,531</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	95,428	125,325	422,473
Specific Provision (-)	15,599	49,918	320,250
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>79,829</b>	<b>75,407</b>	<b>102,223</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

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

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

l) Explanations on write-off policy:

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

m) Other explanations and disclosures:

<b>Current Period</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
Neither past due nor impaired	24,031,477	9,738,680	2,463,627	36,233,784
Past due not impaired	846,080	556,612	158,436	1,561,128
Individually impaired	549,387	175,386	143,348	868,121
<b>Total</b>	<b>25,426,944</b>	<b>10,470,678</b>	<b>2,765,411</b>	<b>38,663,033</b>
Specific Provision	325,993	99,643	102,440	528,076
<b>Total</b>	<b>325,993</b>	<b>99,643</b>	<b>102,440</b>	<b>528,076</b>
<b>Net credit balance on balance sheet</b>	<b>25,100,951</b>	<b>10,371,035</b>	<b>2,662,971</b>	<b>38,134,957</b>
<b>Prior Period</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
Neither past due nor impaired	18,909,988	7,607,617	1,591,411	28,109,016
Past due not impaired	736,878	335,010	247,371	1,319,259
Individually impaired	430,500	110,837	101,889	643,226
<b>Total</b>	<b>20,077,366</b>	<b>8,053,464</b>	<b>1,940,671</b>	<b>30,071,501</b>
Specific Provision	255,411	58,630	71,726	385,767
<b>Total</b>	<b>255,411</b>	<b>58,630</b>	<b>71,726</b>	<b>385,767</b>
<b>Net credit balance on balance sheet</b>	<b>19,821,955</b>	<b>7,994,834</b>	<b>1,868,945</b>	<b>29,685,734</b>

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

	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
1 January 2013	255,411	58,630	71,726	385,767
Change for the period	215,774	74,637	75,312	365,723
Recoveries	(67,901)	(20,379)	(20,887)	(109,167)
Amounts written-off (*)	(77,291)	(13,245)	(23,711)	(114,247)
<b>31 December 2013 Balance</b>	<b>325,993</b>	<b>99,643</b>	<b>102,440</b>	<b>528,076</b>
	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
1 January 2012	272,744	86,849	157,925	517,518
Change for the period	177,873	37,953	48,080	263,906
Recoveries	(56,730)	(16,067)	(17,347)	(90,144)
Amounts written-off (**)	(138,476)	(50,105)	(116,932)	(305,513)
<b>31 December 2012 Balance</b>	<b>255,411</b>	<b>58,630</b>	<b>71,726</b>	<b>385,767</b>

(\*) Amounting to TL117,132 past due receivable portfolio for which TL114,247 provision had been allocated, is sold to LBT Varlık Yönetimi A.Ş. for TL9,310, and after all the sales procedures were completed at 28 June 2013 with the completion of the necessary procedures, and the related non-performing loans have been written off from the accounts.

(\*\*) TL124,050 of the non-performing loans portfolio of the Bank with TL124,050 provision has been sold to LBT Varlık Yönetim A.Ş. for TL16,878 which has been collected as of 11 April 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records.

TL188,710 of the non-performing loans portfolio of the Bank with TL181,463 provision has been sold to LBT Varlık Yönetim A.Ş. for TL22,222 which has been collected as of 30 November 2012 with the completion of the necessary procedures, and the related non-performing loans have been written off from the records

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2013 is TL226,038 (31 December 2012: TL210,582).

**The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:**

	<b>Current Period</b>	<b>Prior Period</b>
Mortgage	176,808	172,046
Vehicle	43,046	31,756
Cash	211	151
Other	5,973	6,629
<b>Total</b>	<b>226,038</b>	<b>210,582</b>

As of 31 December 2013 and 31 December 2012, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

<b>31 December 2013</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Total</b>
Residential, commercial or industrial property	75,541	7,516	83,057
Other	160	-	160
<b>Total</b>	<b>75,701</b>	<b>7,516</b>	<b>83,217</b>

<b>31 December 2012</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Total</b>
Residential, commercial or industrial property	52,628	8,587	61,215
Other	375	-	375
<b>Total</b>	<b>53,003</b>	<b>8,587</b>	<b>61,590</b>

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

<b>31 December 2013</b>	<b>Less than 30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Total</b>
Loans and Receivables				
Commercial Loans	553,650	166,470	125,960	846,080
Consumer Loans	285,354	209,690	61,568	556,612
Credit Cards	158,357	2	77	158,436
<b>Total</b>	<b>997,361</b>	<b>376,162</b>	<b>187,605</b>	<b>1,561,128</b>

<b>31 December 2012</b>	<b>Less than 30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>Total</b>
Loans and Receivables				
Commercial Loans	422,562	181,511	132,805	736,878
Consumer Loans	72,792	180,147	82,071	335,010
Credit Cards	244,220	32	3,119	247,371
<b>Total</b>	<b>739,574</b>	<b>361,690</b>	<b>217,995</b>	<b>1,319,259</b>

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
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**I. Explanations and Disclosures Related to the Assets (Continued)**

**5. Information on loans: (Continued)**

m) Other explanations and disclosures: (continued)

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Bank held as at 31 December 2013 is TL1,047,494 (31 December 2012: TL836,217).

**The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:**

	<b>Current Period</b>	<b>Prior Period</b>
Mortgage	773,548	605,820
Vehicle	179,319	126,438
Cash	11,439	12,371
Other	83,188	91,588
<b>Total</b>	<b>1,047,494</b>	<b>836,217</b>

**6. Information on held-to-maturity investments:**

a.1) Held-to-maturity investments subject to repurchase agreements:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Government bonds	-	-	-	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	-

a.2) Information on held-to-maturity investments given as collateral or blocked:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Share Certificates	-	-	-	-
Bond, Treasury bill and similar securities	197,274	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>197,274</b>	-	-	-

Unrestricted financial assets held-to maturity amounting to TL95,682 (31 December 2012: None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Government bonds	292,956	-
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>292,956</b>	-

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**6. Information on held-to-maturity investments: (Continued)**

a.4) Information on held to maturity investments:

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	292,956	-
Quoted on a stock exchange	292,956	-
Unquoted	-	-
Impairment provision(-)	-	-
<b>Total</b>	<b>292,956</b>	<b>-</b>

b) Movement of investments held-to-maturity:

	<b>Current Period</b>	<b>Prior Period</b>
Beginning balance	-	-
Foreign currency differences on monetary assets	-	-
Purchases during the year(*)	292,956	-
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>292,956</b>	<b>-</b>

(\*) Government debt securities with TL224,275 nominal value which had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value amounting to TL287,008 as of 25 September 2013. As of 25 September, accumulated valuation difference amounting to negative TL38,362 for reclassified available for sale securities are followed under shareholders' equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 31 December 2013, total accumulated valuation difference of these securities followed under shareholders' equity is negative TL36,973.

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**I. Explanations and Disclosures Related to the Assets: (Continued)**

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

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2012: None).
- a.2) Information on the unconsolidated associates: None (31 December 2012: None).
- a.3) Explanations of consolidated associates: None (31 December 2012: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2012: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2012: None).

**8. Information on subsidiaries (Net):**

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

	<b>TEB Economy Bank N.V.</b>	<b>TEB Faktoring A.Ş.</b>	<b>TEB Yatırım Menkul Değerler A.Ş.</b>	<b>TEB Portföy Yönetimi A.Ş.</b>
Paid-in capital	88,038	19,000	28,794	6,860
Legal reserves	-	10,798	10,697	5,411
Extraordinary reserves	-	23,491	-	-
Other reserves	2,012	(146)	28,115	(60)
Profit/loss	205,169	7,995	17,638	5,547
Prior periods profit/loss	192,640	(6,264)	8,540	1,729
Current period net profit/loss	12,529	14,259	9,098	3,818
Leasehold Improvements on Operational				
Leases (-)	29	186	97	-
Intangible Assets (-)	1,332	868	316	375
<b>Total Core Capital</b>	<b>293,858</b>	<b>60,084</b>	<b>84,831</b>	<b>17,383</b>
<b>Supplementary Capital</b>	<b>(2,141)</b>	<b>-</b>	<b>-</b>	<b>(104)</b>
<b>Capital</b>	<b>291,717</b>	<b>60,084</b>	<b>84,831</b>	<b>17,279</b>
<b>Net Usable Equity</b>	<b>291,717</b>	<b>60,084</b>	<b>84,831</b>	<b>17,279</b>

There is no assessment of subsidiaries’ internal capital adequacy.

Paid-in capital amount is capital amount registered on Turkish Trade Registration as TRY Currency defined on the main agreement.

Legal reserves is the reserves which is allocated from annual profit, published in Official Gazette on 14 February 2011 numbered 6102, defined in the first paragraph and second paragraph’s 3rd item of the Article 519 and Article 520 in Turkish Commercial Code no:6762 in accordance with Establishment Laws.

Extraordinary reserves is the reserves that was allocated from after tax profit in compliance with the decisions made on the Annual General Assembly

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**8. Information on subsidiaries (Net): (Continued)**

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of objection to the reasonable justifications of non-consolidate and minimum capital requirements: None. (31 December 2012: None)
- c) Information on the unconsolidated subsidiaries: None (31 December 2012: None).
- d) Information on consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

<b>Description</b>	<b>Address (City/ Country)</b>	<b>Bank’s share percentage- If different voting share percentage (%)</b>	<b>Other shareholders’ share percentage (%)</b>
The Economy Bank N.V. (*)	The Netherlands	100.00	-
TEB Faktoring A.Ş. (**)	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62	3.38
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60	29.14

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

<b>Total Assets</b>	<b>Shareholders’ Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit / Loss</b>	<b>Prior Period Profit / Loss (***)</b>	<b>Fair Value</b>
1,781,006	293,078	10,941	62,762	3,065	12,529	(11,558)	-
1,140,467	61,138	1,366	82,126	-	14,259	15,925	-
116,411	85,244	1,137	11,326	-	9,098	6,366	-
20,150	17,654	572	1,071	174	3,818	3,406	-

(\*) As of 31 December 2013, the figures are the converted amount from the financial statements using end-of-period exchange rate for balance sheet and six months average rate for the income statement. The Economy Bank NV consolidates two partners, Stichting Effecten Dienstverlening and Kronenburg Vastgoed B.V.

(\*\*) The merger process of Fortis Faktoring A.Ş. and TEB Faktoring A.Ş., which is 100% owned the Bank, had been commenced and the Sale and Purchase Agreement signed on 31 January 2013 for the purpose of the completion of the share transfer prior to the merger. Pursuant to the Sale and Purchase Agreement, following the receipt of necessary legal approvals the share transfer completed and the Bank has become an indirect shareholder of 100% shares in Fortis Faktoring A.Ş. on 22 March 2013. Approval from Banking Regulation and Supervision Agency regarding merger of Fortis Faktoring with TEB Faktoring by way of acquisition, whereby all the assets and liabilities of Fortis Faktoring shall be transferred to TEB Faktoring as a whole, has been obtained on 20 June 2013. Merger of TEB Faktoring and Fortis Faktoring has been completed upon registration of the said merger to the Istanbul Trade Registry on 1 July 2013.

(\*\*\*) These figures are shown per BRSA financial statements as of 31 December 2012.



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**I. Explanations and Disclosures Related to the Assets (Continued)**

**8. Information on subsidiaries (Net): (Continued)**

d.2) Information on consolidated subsidiaries:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	167,861	167,861
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>167,861</b>	<b>167,861</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

		<b>Current Period</b>	<b>Prior Period</b>
Banks	/ The Economy Bank N.V.	61,254	61,254
Factoring Companies	/ TEB Faktoring A.Ş.	34,037	34,037
Other Financial Subsidiaries	/ TEB Yatırım Men.Değ. A.Ş.	70,512	70,512
	TEB Portföy Yönetimi A.Ş.	2,058	2,058
<b>Total</b>		<b>167,861</b>	<b>167,861</b>

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2012: None).

**9. Explanations on entities under common control (joint ventures):**

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

<b>Entities under common control (joint ventures)</b>	<b>Share of the Parent Bank (%)</b>	<b>Share of the Group (%)</b>	<b>Current Asset</b>	<b>Non- current asset</b>	<b>Long-term receivable</b>	<b>Profit</b>	<b>Loss</b>
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	12,442	9,803	342	49,810	(46,792)

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

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

**10. Information on finance lease receivables (Net):** None (31 December 2012: None).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**I. Explanations and Disclosures Related to the Assets (Continued)**

**11. Information on derivative financial assets for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	56,899	63	4,907	157
Cash flow hedge	55,283	-	11,819	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>112,182</b>	<b>63</b>	<b>16,726</b>	<b>157</b>

**12. Information on tangible assets :**

	31 December 2012	Additions	Disposals	Other	31 December 2013
Cost:					
Land and buildings	107,408	-	-	-	107,408
Leased tangible assets	53,910	20	(12,211)	-	41,719
Other	718,101	145,207	(50,817)	-	812,491
<b>Total Cost</b>	<b>879,419</b>	<b>145,227</b>	<b>(63,028)</b>	<b>-</b>	<b>961,618</b>
		Period			
	31 December 2012	Charge	Disposals	Other	31 December 2013
Accumulated Depreciation:					
Land and buildings	32,112	2,952	-	-	35,064
Leased tangible assets	53,775	113	(12,211)	-	41,677
Other	546,699	66,185	(49,839)	-	563,045
<b>Total Accumulated Depreciation</b>	<b>632,586</b>	<b>69,250</b>	<b>(62,050)</b>	<b>-</b>	<b>639,786</b>
<b>Net Book Value</b>	<b>246,833</b>				<b>321,832</b>

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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(Continued)**

**I. Explanations and Disclosures Related to the Assets (Continued)**

**13. Information on intangible assets:**

	<b>31 December 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Other</b>	<b>31 December 2013</b>
Cost:					
Other intangible assets	119,595	44,664	-	-	164,259
<b>Total Cost</b>	<b>119,595</b>	<b>44,664</b>	<b>-</b>	<b>-</b>	<b>164,259</b>
		<b>Period</b>			
	<b>31 December 2012</b>	<b>Charge</b>	<b>Disposals</b>	<b>Other</b>	<b>31 December 2013</b>
Accumulated Depreciation:					
Other intangible assets	97,318	14,132	-	-	111,450
<b>Total Accumulated Depreciation</b>	<b>97,318</b>	<b>14,132</b>	<b>-</b>	<b>-</b>	<b>111,450</b>
<b>Net Book Value</b>	<b>22,277</b>				<b>52,809</b>

- Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements
- Information on Goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

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**I. Explanations and Disclosures Related to the Assets (Continued)**

**13. Information on intangible assets (Continued):**

j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	<b>Current Period</b>	<b>Prior Period</b>
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Additions	-	-
<b>Ending balance</b>	<b>421,124</b>	<b>421,124</b>

**14. Information on investment properties:** None (31 December 2012: None).

**15 Explanations on deferred tax assets (Continued):**

a) As of 31 December 2013, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL34,242 (31 December 2012: TL124,686). There are no tax exemptions or deductions over which deferred tax asset is computed.

b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

d) Movement of deferred tax:

	<b>Current Period</b>	<b>Prior Period</b>
<b>At January 1,</b>	<b>124,686</b>	<b>66,748</b>
Deferred tax / benefit (charge)	(103,991)	84,599
Deferred tax accounted for under equity	13,547	(26,661)
Other	-	-
<b>Deferred Tax Asset</b>	<b>34,242</b>	<b>124,686</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Beginning of Period Cost	64,091	69,037
Beginning of Period Accumulated Depreciation (-)	2,501	1,988
<b>Net Book Value</b>	<b>61,590</b>	<b>67,049</b>
Opening Balance	61,590	67,049
Acquired	67,064	34,686
Disposed(-), net	37,801	36,611
Impairment (-)	5,463	1,858
Depreciation Value (-)	2,173	1,676
Period End Cost	86,505	64,091
Period End Accumulated Depreciation (-)	3,288	2,501
<b>Closing Net Book Value</b>	<b>83,217</b>	<b>61,59</b>

**17. Information on other assets:**

Other Assets item of the balance sheet amounting to TL1,040,230 (31 December 2012: TL1,056,387) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**II. Explanations and Disclosures Related to the Liabilities**

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	868,553	-	3,681,611	6,883,524	766,696	46,239	37,610	-	12,284,233
Foreign currency deposits	1,794,303	-	2,133,375	4,916,572	368,080	115,708	216,797	-	9,544,835
Residents in Turkey	1,682,479	-	2,059,914	4,664,038	350,608	74,017	211,300	-	9,042,356
Residents abroad	111,824	-	73,461	252,534	17,472	41,691	5,497	-	502,479
Public sector deposits	220,770	-	5,665	23,918	348,071	-	-	-	598,424
Commercial deposits	1,975,878	-	1,454,858	3,416,921	459,263	46,560	11,879	-	7,365,359
Other institutions deposits	39,641	-	35,709	1,282,074	965,682	352	16,294	-	2,339,752
Precious metals deposits	408,705	-	114,088	127,414	6,669	14,484	-	-	671,360
Interbank deposits	116,470	-	1,297,495	59,754	-	8,182	2,110	-	1,484,011
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	34	-	220,047	2,024	-	8,182	2,110	-	232,397
Foreign Banks	47,286	-	1,077,448	57,730	-	-	-	-	1,182,464
Special finance houses	69,150	-	-	-	-	-	-	-	69,150
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,424,320</b>	<b>-</b>	<b>8,722,801</b>	<b>16,710,177</b>	<b>2,914,461</b>	<b>231,525</b>	<b>284,690</b>	<b>-</b>	<b>34,287,974</b>

a.2) Prior period:

	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	561,663	-	2,520,561	5,484,070	2,065,011	210,296	29,899	-	10,871,500
Foreign currency deposits	1,470,476	-	712,933	4,343,852	210,964	107,084	101,887	-	6,947,196
Residents in Turkey	1,379,111	-	712,933	4,005,023	194,861	56,510	101,511	-	6,449,949
Residents abroad	91,365	-	-	338,829	16,103	50,574	376	-	497,247
Public sector deposits	204,251	-	12,498	231,118	1,983	1,465	-	-	451,315
Commercial deposits	1,451,498	-	1,175,750	3,310,122	1,009,102	115,071	5,084	-	7,066,627
Other institutions deposits	30,226	-	32,306	871,266	805,831	29,076	23	-	1,768,728
Precious metals deposits	427,348	-	19,982	286,271	30,751	33,659	-	-	798,011
Interbank deposits	193,836	-	546,098	60,608	18,417	-	4,229	-	823,188
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4	-	170,028	24,407	-	-	4,229	-	198,668
Foreign Banks	30,497	-	376,070	36,201	18,417	-	-	-	461,185
Special finance houses	163,335	-	-	-	-	-	-	-	163,335
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,339,298</b>	<b>-</b>	<b>5,020,128</b>	<b>14,587,307</b>	<b>4,142,059</b>	<b>496,651</b>	<b>141,122</b>	<b>-</b>	<b>28,726,565</b>

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)		Exceeding the limit of Insurance(*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	5,759,987	3,757,130	6,148,459	6,951,578
Foreign currency saving deposits	1,097,403	689,586	4,162,071	3,208,096
Other deposits in the form of saving deposits	282,197	206,322	327,503	522,832
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>7,139,587</b>	<b>4,653,038</b>	<b>10,638,033</b>	<b>10,682,506</b>

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

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**II. Explanations and Disclosures Related to the Liabilities (Continued)**

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

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and accounts in branches abroad	208,053	145,967
Deposits of ultimate shareholders and their close families	766,595	229,879
Deposits of chairman and members of the Board of Directors and their close families	27,526	23,176
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

**2. Information on derivative financial liabilities:**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	56,913	5,154	11,810	26,424
Swap Transactions	233,404	31,535	115,815	12,646
Futures Transactions	-	-	-	-
Options	147,561	7,144	48,198	18,306
Other	-	-	-	-
<b>Total</b>	<b>437,878</b>	<b>43,833</b>	<b>175,823</b>	<b>57,376</b>

3.a) Information on banks and other financial institutions:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	161,386	220,561	99,424	197,910
From Foreign Banks, Institutions and Funds	370,200	6,040,825	174,184	4,707,264
<b>Total</b>	<b>531,586</b>	<b>6,261,386</b>	<b>273,608</b>	<b>4,905,174</b>

As of 31 December 2013, the Bank has borrowings from its related parties amounting to TL3,088,488 (31 December 2012: TL2,606,616).

b) Maturity analysis of borrowings:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-term	220,774	5,779,750	96,784	4,032,945
Medium and long-term	310,812	481,636	176,824	872,229
<b>Total</b>	<b>531,586</b>	<b>6,261,386</b>	<b>273,608</b>	<b>4,905,174</b>

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

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

The Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2013 foreign borrowings of the Bank includes syndication loan obtained with the agreement dated 22 August 2013 and 27 August 2014 maturity amounting to EUR310,000,000 and USD140,000,000.

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

d) Information on funds provided from repurchase agreement transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>1,062,443</b>	-	<b>40,916</b>	-
Financial institutions and organizations	1,062,443	-	40,916	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>1,062,443</b>	-	<b>40,916</b>	-

e) Information on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank bonds	507,046	-	333,689	-
Treasury bills	203,230	-	160,548	-
<b>Total</b>	<b>710,276</b>	-	<b>494,237</b>	-

Bond issued by the Bank on 4 March 2013 with a nominal value of TL99,711, maturity of 405 days, with due date of 14 April 2014, with an interest rate of 6.84908% and with an annual compound rate of 6.82406% has started to be publicly traded in bonds and bill market with the ISIN code “TRSTEBK41416”.

Bond issued by the Bank on 20 May 2013 with a nominal value of TL200,000, maturity of 386 days, with due date of 11 June 2014, with an interest rate of 5.81603% and with an annual compound rate of 5.80650% has started to be publicly traded in bonds and bill market with the ISIN code “TRSTEBK61414”.

Bond issued by the Bank on 7 October 2013 with a nominal value of TL350,000 maturity of 148 days, with due date of 5 March 2014, with an interest rate of 7.84266% and with an annual compound rate of 8.02640% has started to be publicly traded in bonds and bill market with the ISIN code “TRQTEBK31411”.

Bond issued by the Bank on 9 December 2013 with a nominal value of TL250,000 maturity of 169 days, with due date of 28 May 2014, with an interest rate of 8.85178% and with an annual compound rate of 9.06261% has started to be publicly traded in bonds and bill market with the ISIN code “TRQTEBK51419”.

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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

- 4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:**  
None (31 December 2012: None).

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

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

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

- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

- c) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	-	-
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	-	-	-	-

- d) Explanations regarding operational leases:

For the period ended 31 December 2013, operational lease expenses amounting to TL159,858 (31 December 2012: TL141,644) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

- e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.



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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**6. Negative differences table of derivative financial liabilities for hedging purposes:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	15,433	-	47,695	1
Cash flow hedge	53,822	-	120,811	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>69,255</b>	<b>-</b>	<b>168,506</b>	<b>1</b>

**7. Information on provisions:**

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	387,103	315,620
Additional Provision for Loans and Receivables with Extended Maturities	52,914	22,203
Provisions for Second Group Loans and Receivables	53,208	26,553
Additional Provision for Loans and Receivables with Extended Maturities	14,860	1,926
Provisions for Non-Cash Loans	28,504	29,734
Other	1,113	9,269
<b>Total</b>	<b>537,702</b>	<b>405,305</b>

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:  
The foreign exchange losses on the foreign currency indexed loans amounting to TL83,440  
(31 December 2012: TL91,324) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TL34,791 (31  
December 2012: TL22,512).

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

As of 31 December 2013 TL24,808 (31 December 2012: TL26,458) unused vacation provision,  
TL85,927 (31 December 2012: TL89,898) employee termination benefit provision and  
TL65,013 (31 December 2012: TL60,069) bonus for the employee are presented under “Reserve  
for Employee Benefit” in financial statements.

d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	89,898	57,957
Service cost	12,266	8,338
Interest cost	6,566	5,385
Settlement cost	1,675	5,807
Actuarial loss/gain	(19,459)	23,693
Benefits paid	(5,019)	(11,282)
<b>Total</b>	<b>85,927</b>	<b>89,898</b>

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**7. Information on provisions: (Continued)**

(i) Retirement Benefits:

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

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2012 and 31 December 2012. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions

<b>Transferrable Retirement and Health Liabilities:</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Net Present Value of Transferrable Retirement Liabilities	(915,853)	(823,577)
Net Present Value of Transferrable Retirement and Health Contributions	525,943	534,823
General Administration Expenses	(9,159)	(8,235)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(399,069)	(296,989)
Fair Value of Plan Assets (2)	1,264,472	1,179,000
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	865,403	882,011
Non-Transferable Benefits (4)	(219,301)	(183,383)
Asset Surplus over Total Benefits ((3)-(4))	646,102	698,628

Distribution of total assets of the Retirement Fund as of 31 December 2013 and 31 December 2012 is presented below:

	<b>31 December 2013</b>	<b>31 December 2012</b>
Bank placements	1,159,056	1,060,309
Government Bonds and Treasury Bill, Fund and Accrual Interest		
Income	35,742	43,563
Tangible assets	68,267	66,840
Other	1,407	8,288
<b>Total</b>	<b>1,264,472</b>	<b>1,179,000</b>

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(Continued)**

**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**7. Information on provisions: (Continued)**

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

	<b>31 December 2013</b>	<b>31 December 2012</b>
Discount Rate	%10.10	%7.00
Expected Inflation Rate	%6.50	%4.61

Medical inflation is expected more than 40% for two periods. General wage increases and Social Security Institution (the “SSI”) increase of ceiling rate is expected in parallel to inflation rate. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2012: CSO 2001) Female/Male mortality table is used.

As of 31 December 2013, for all liabilities with the provision of TMS 19, the actuary open does not come as a result of the calculations made by independent actuaries.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2012: None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Provision for legal cases	35,502	45,171
Provision for unindemnified non-cash loans	34,791	22,512
Provision for promotions of credit cards and banking services	12,204	12,093
Other	18,032	13,138
<b>Total</b>	<b>100,529</b>	<b>92,914</b>

**8. Explanations on taxes payable:**

a) Information on current tax liability:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	13,070	63,524
Taxation on Securities	26,875	23,176
Property Tax	1,804	1,637
Banking Insurance Transaction Tax (BITT)	28,977	24,915
Foreign Exchange Transaction Tax	15	10
Value Added Tax Payable	6,062	3,287
Other (*)	15,989	13,024
<b>Total</b>	<b>92,792</b>	<b>129,573</b>

(\*) Others include income taxes deducted from wages amounting to TL11,777 (31 December 2012: TL10,618) and stamp taxes payable amounting to TL1,174 (31 December 2012: TL931).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**II. Explanations and Disclosures Related to the Liabilities (Continued)**

**8. Explanations on taxes payable: (Continued)**

b) Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	4,434	3,478
Social Security Premiums-Employer	5,174	3,868
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	412	342
Unemployment Insurance-Employer	622	489
Other	-	-
<b>Total</b>	<b>10,642</b>	<b>8,177</b>

c) Explanations on deferred tax liabilities, if any: None (31 December 2012: None).

**9. Information on liabilities regarding assets held for sale and discontinued operations:**

None (31 December 2012: None).

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

The Bank has signed an agreement with the International Finance Corporation (IFC) on 27 June 2005, for a subordinated loan. The facility is a USD50 million subordinated loan, with a maturity of 15 July 2015 and with an interest rate of LIBOR+3.18%.

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual.

The Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR 75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR 175 million. Since the coupon rate of the issue amounting to EUR100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR100 million issue has been determined as 96.026% (the price determined as the 12-year interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,527.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR96,878,527.78 is transferred to the bank accounts.

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
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**II. Explanations and Disclosures Related to the Liabilities (Continued)**

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

The Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD 65 million on 14 May 2012. The semi annually interest rate of the issuance is determined as USD Libor + %5.75. The maturity date of the debt instrument is determined as 14 May 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EURO 100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The maturity date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EURO 125 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 2.1%. there is no option to repay within the first five years. The debt instrument can be amortized on 27 June 2018 with the resolution of the BoD and upon the approval of the BRSA.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD 65 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 3.40%. there is no option to repay within the first five years. The debt instrument can be amortized on 28 June 2018 with the resolution of the BoD and upon the approval of the BRSA

The above mentioned five subordinated loans are utilized in-line with the “loan capital” definition of BRSA and will positively affect the capital adequacy ratio of the Bank as well as utilizing long term funding

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,175,535	-	-
From Other Foreign Institutions	-	602,788	-	1,037,480
<b>Total</b>	-	<b>1,778,323</b>	-	<b>1,037,480</b>

**11. Information on Shareholders’ Equity:**

a) Presentation of Paid-in Capital:

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

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

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

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

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**III. Explanations and Disclosures Related to the Liabilities (Continued)**

**11. Information on Shareholders’ Equity: (Continued)**

- d) Information on share capital increases from revaluation funds: None.
- e) Capital commitments in the last fiscal year and at the end of the following year end period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank’s equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank’s future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares:

7% of the Bank’s remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Bank’s 0,06 shares of TL30 (in full TL) is distributed to the founder shares.

- h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities				
Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(93,714)	15	57,529	4,016
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(93,714)</b>	<b>15</b>	<b>57,529</b>	<b>4,016</b>

- (\*) Government debt securities with TL224,275 nominal value which had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value amounting to TL287,008 as of 25 September 2013. As of 25 September, accumulated valuation difference amounting to negative TL38,362 for reclassified available for sale securities are followed under shareholders’ equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 31 December 2013, total accumulated valuation difference of these securities followed under shareholders’ equity is negative TL36,973. Detail information for this classification was described at 5th chapter in 6-b note.

- 12. Information on minority shares:** None (31 December 2012:None)

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Information on off-balance sheet liabilities:**

a) Nature and amount of irrevocable loan commitments:

	<b>Current Period</b>	<b>Prior Period</b>
Loan granting commitments	3,853,759	2,942,424
Commitments for credit card expenditure limits	3,545,841	2,933,697
Payment commitment for checks	2,002,630	1,879,298
Forward asset purchase commitments	1,742,558	1,309,306
Forward deposit purchase commitments	101,194	614,094
Tax and fund liabilities from export commitments	12,503	11,709
Commitments for promotions related with credit cards and banking activities	4,451	5,978
Other irrevocable commitments	188,342	147,132
<b>Total</b>	<b>11,451,278</b>	<b>9,843,638</b>

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Credit	1,356,355	1,388,201
Bank Acceptances	271,178	903,219
Other Commitments	1,420,669	1,032,189
Other Contingencies	419,412	292,651
<b>Total</b>	<b>3,467,614</b>	<b>3,616,260</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	5,333,081	4,519,954
Advance Guarantee Letters	1,159,907	921,924
Temporary Guarantee Letters	477,487	462,831
Guarantee Letters Given for Customs	377,222	317,546
Other Guarantee Letters	526,708	464,704
<b>Total</b>	<b>7,874,405</b>	<b>6,686,959</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given against achieving cash loans	781,422	887,465
With maturity of 1 year or less than 1 year	6,361	210,284
With maturity of more than 1 year	775,061	677,181
Other non-cash loans	10,560,597	9,415,754
<b>Total</b>	<b>11,342,019</b>	<b>10,303,219</b>

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

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	71,081	1.50	45,051	0.68	57,744	1.43	114,344	1.82
Farming and raising livestock	53,208	1.12	39,686	0.60	43,248	1.07	112,166	1.79
Forestry, Wood and Paper	16,956	0.36	5,365	0.08	13,531	0.34	2,081	0.03
Fishery	917	0.02	-	0.00	965	0.02	97	0.00
Manufacturing	2,165,556	45.56	3,628,615	55.07	1,897,967	47.14	3,675,770	58.55
Mining and Quarry	138,368	2.91	120,580	1.83	122,124	3.03	123,292	1.96
Production	1,972,506	41.50	3,423,583	51.96	1,696,182	42.13	3,517,196	56.03
Electricity, Gas and Water	54,682	1.15	84,452	1.28	79,661	1.98	35,282	0.56
Construction	1,107,734	23.31	1,291,228	19.59	969,447	24.08	1,217,275	19.39
Services	1,323,725	27.85	770,737	11.69	1,021,259	25.37	539,858	8.60
Wholesale and Retail Trade	601,981	12.67	153,347	2.33	460,398	11.44	66,873	1.07
Hotel, Tourism, Food and Beverage Services	43,405	0.91	17,506	0.27	37,753	0.94	23,662	0.38
Transportation and Communication	242,465	5.10	388,412	5.89	217,069	5.39	258,234	4.11
Financial Institutions	113,596	2.39	92,958	1.41	79,383	1.97	65,557	1.04
Real Estate and Renting	144,737	3.05	64,203	0.97	91,587	2.27	64,885	1.03
Self-employment Services	93,798	1.97	33,518	0.51	71,903	1.79	31,128	0.50
Education Services	5,886	0.12	4,269	0.06	2,863	0.07	1,361	0.02
Health and Social Services	77,857	1.64	16,524	0.25	60,303	1.50	28,158	0.45
Other	84,489	1.78	853,803	12.97	79,764	1.98	729,791	11.64
<b>Total</b>	<b>4,752,585</b>	<b>100.00</b>	<b>6,589,434</b>	<b>100.00</b>	<b>4,026,181</b>	<b>100.00</b>	<b>6,277,038</b>	<b>100.00</b>

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group		II st Group	
	TL	FC	TL	FC
Letters of guarantee	3,867,148	3,951,909	43,601	11,747
Bank acceptances	-	271,178	-	-
Letters of credit	381	1,355,591	-	383
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	838,980	998,626	2,475	-
<b>Total</b>	<b>4,706,509</b>	<b>6,577,304</b>	<b>46,076</b>	<b>12,130</b>

The Bank provided a reserve of TL62,012 (31 December 2012: TL46,581) for non-cash loans not indemnified yet amounting to TL34,791 (31 December 2012: TL22,512).



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

**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):	49,187,388	34,526,021	-	-
Forward transactions	8,850,451	6,265,980	-	-
Swap transactions	20,108,295	11,448,558	-	-
Futures transactions	-	-	-	-
Option transactions	20,228,642	16,811,483	-	-
Interest related derivative transactions (II):	6,514,648	2,256,150	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	6,238,386	1,945,502	-	-
Interest option transactions	276,262	310,648	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	-	-	-	-
<b>A. Total trading derivative transactions (I+II+III+IV)</b>	<b>55,702,036</b>	<b>36,782,171</b>	-	-
Types of hedging transactions				
Fair value hedges	-	-	599,491	1,441,536
Cash flow hedges	-	-	3,916,034	3,153,677
Net investment hedges	-	-	-	-
<b>B. Total hedging related derivatives</b>	-	-	<b>4,515,525</b>	<b>4,595,213</b>
<b>Total Derivative Transactions (A+B)</b>	<b>55,702,036</b>	<b>36,782,171</b>	<b>4,515,525</b>	<b>4,595,213</b>

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

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

i) Derivative instruments for fair value hedging purposes:

As of 1 July 2008, the Bank has started to apply fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loan portfolio. As of 31 December 2013, nominal value of derivative instruments for hedging purposes is TL599,491 (31 December 2012: TL1,441,536) and its net fair value is TL40,563 (31 December 2012: TL32,389 negative) and its fair value of the hedged item loans is TL3,404 (31 December 2012: TL16,309). The Bank accounts TL78,670 income (31 December 2012: TL22,865 expense) for derivative instruments for hedging purposes and TL12,905 expense (31 December 2012: TL4,755 income) from hedged item loans in the financial statements.

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

**2. Information related to derivative financial instruments: (Continued)**

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Interest Rate Swaps						
Cross Currency Swaps	599,491	56,962	15,433	1,441,536	5,064	47,696
	<b>599,491</b>	<b>56,962</b>	<b>15,433</b>	<b>1,441,536</b>	<b>5,064</b>	<b>47,696</b>

ii) Derivative instruments for cash flow hedge purposes:

The Bank has adopted cash flow hedge accounting by matching its swap portfolio having total buy-sell nominal amounting to TL3,916,034 since 2011 with the deposit portfolio having maturity up to 90 days. Effective portion of TL40,332 (31 December 2012: TL62,082 credit) debit accounted for under equity is presented after deduction of its deferred tax effect of TL8,046 (31 December 2012: TL12,614 debit) credit in the financial statements. In 2013, the ineffective portion of TL1,427 income (31 December 2012: TL3,455 expense) is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Interest Rate Swaps	3,916,034	55,283	53,822	3,153,677	11,819	120,811

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

**4. Explanations on contingent liabilities and assets:**

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
  - b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2013, there are no contingent assets that need to be explained (31 December 2012: None).
  - b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

Following a resolution in favor of the Bank in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of the Bank by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TL364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Bank between the years 2003 and 2006.

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

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

**4. Explanations on contingent liabilities and assets: (Continued)**

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL15,510 and levied a fine of TL16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

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

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State’s overruling and conducted the litigation in favor of the Bank upon its resolution no: K:2010/2377, TL48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Bank has increased the tax base by TL2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 “Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements”.

**5. Custodian and intermediary services:**

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

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2013 the total nominal value and number of certificates are TL1,726,140 and 172,614,007 thousand (31 December 2012: TL2,673,619 and 267,361,941 thousand) and the total fair value is TL8,211,335 (31 December 2012: TL9,894,934).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

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

**6. The information on the Bank’s rating by the international rating introductions (\*):**

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

**Moody’s Investor Services: October 2013**

<b>View</b>	Stable
<b>Bank Financial Strength</b>	D+
<b>Foreign Currency Deposits</b>	Baa3/NP

**Fitch Ratings: October 2013**

<b>Foreign Currency Commitments</b>	
Long term	BBB
Short term	F3
View	Stable
<b>Turkish Lira Commitments</b>	
Long term	BBB+
Short term	F2
View	Stable
National	AAA (tur)
View	Stable
<b>Individual Rating</b>	bbb-
<b>Support Points</b>	2

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

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

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

**1. a) Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on loans (*)</b>				
Short term loans	1,768,355	114,767	1,831,807	140,924
Medium and long term loans	1,548,244	171,064	1,312,162	155,861
Interest on non-performing loans	35,228	-	29,471	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>3,351,827</b>	<b>285,831</b>	<b>3,173,440</b>	<b>296,785</b>

(\*) Includes fees and commissions obtained from cash loans amounting to TL103,255 (31 December 2012: TL106,335).

**b) Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	2,959	245	5,382	165
Foreign banks	3,404	862	2,663	1,432
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>6,363</b>	<b>1,107</b>	<b>8,045</b>	<b>1,597</b>

**c) Information on interest received from securities portfolio:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	61,713	735	52,902	8,329
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	290,552	43	332,795	7,539
Investments Held-to-Maturity	7,893	-	-	-
<b>Total</b>	<b>360,158</b>	<b>778</b>	<b>385,697</b>	<b>15,868</b>

**d) Interest received from Subsidiaries and Associates:**

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	328	4,222

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
The Central Bank of Turkey	-	-	-	-
Domestic banks	7,612	5,793	7,884	5,910
Foreign banks	56,264	117,878	128,631	107,658
Branches and head office abroad	-	-	-	-
Other financial institutions	-	13,030	-	14,425
<b>Total</b>	<b>63,876</b>	<b>136,701</b>	<b>136,515</b>	<b>127,993</b>

(\*) Includes fees and commission expenses of cash loans amounting to TL4,138 (31 December 2012: TL4,805).

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(Continued)**

**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**b) Information on interest expense to associates and subsidiaries:**

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,808	1,502

**c) Information on interest expenses on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	32,288	-	37,311	
<b>Total</b>	<b>32,288</b>	<b>-</b>	<b>37,311</b>	<b>-</b>

**d) Distribution of interest expenses on deposits based on maturity of deposits:**

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Bank deposits	-	21,082	1,484	449	182	253	-	23,450
Saving deposits	-	259,338	494,396	131,814	17,327	3,939	-	906,814
Public sector deposits	1	2,095	10,412	14,184	68	-	-	26,760
Commercial deposits	-	85,491	272,739	46,893	4,805	7	-	409,935
Other deposits	-	5,271	88,404	46,965	30,401	1,645	-	172,686
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>373,277</b>	<b>867,435</b>	<b>240,305</b>	<b>52,783</b>	<b>5,844</b>	<b>-</b>	<b>1,539,645</b>
<b>FC</b>								
Foreign currency deposits	-	47,762	114,248	15,644	4,010	4,775	-	186,439
Bank deposits	-	394	802	84	-	-	-	1,280
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,573	2,518	292	322	-	-	4,705
<b>Total</b>	<b>-</b>	<b>49,729</b>	<b>117,568</b>	<b>16,020</b>	<b>4,332</b>	<b>4,775</b>	<b>-</b>	<b>192,424</b>
<b>Grand Total</b>	<b>1</b>	<b>423,006</b>	<b>985,003</b>	<b>256,325</b>	<b>57,115</b>	<b>10,619</b>	<b>-</b>	<b>1,732,069</b>

**3. Information on dividend income:**

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	1,716	874
Other	3,224	17,189
<b>Total</b>	<b>4,940</b>	<b>18,063</b>

**4. Information on net trading income:**

	Current Period	Prior Period
<b>Income</b>	<b>8,875,074</b>	<b>5,144,767</b>
Gains on capital market operations	136,298	64,702
Gains on derivative financial instruments (*)	3,072,440	1,527,692
Foreign exchange gains (**)	5,666,336	3,552,373
<b>Losses (-)</b>	<b>8,803,370</b>	<b>5,226,230</b>
Losses on capital market operations	94,604	34,451
Losses on derivative financial instruments (*)	2,614,321	2,007,565
Foreign exchange losses (**)	6,094,445	3,184,214

(\*) Foreign exchange gains on hedging transactions are TL62,823 (31 December 2012: TL1,410), while foreign exchange losses on hedging transactions are TL3,338 (31 December 2012: TL15,229).

(\*\*) Foreign exchange gains on derivative financial transactions are TL98,883 (31 December 2012: TL37,244 foreign exchange losses)

**5. Information on other operating income:**

There is no issue that includes new developments and can influence the Bank's income significantly.

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**6. Provision expenses of banks for loans and other receivables:**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for loans and other receivables	262,044	132,061
III. Group Loans and Receivables	67,816	43,943
IV. Group Loans and Receivables	92,066	50,046
V. Group Loans and Receivables	102,162	38,072
General provision expenses	132,397	141,191
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investments held to maturity	-	-
Other	577	650
<b>Total</b>	<b>395,018</b>	<b>273,902</b>

**7. Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses (*)	725,162	634,396
Reserve for employee termination benefits (**, *****)	25,356	30,284
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	69,250	70,682
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	14,132	11,874
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	5,463	1,858
Depreciation expenses of assets to be disposed	2,173	1,676
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	620,849	519,392
Operating lease expenses (***)	159,858	141,644
Maintenance expenses	27,639	17,359
Advertisement expenses (****)	79,060	66,778
Other expenses	354,292	293,611
Loss on sales of assets	1,266	3,364
Other (*****)	238,206	209,066
<b>Total</b>	<b>1,701,857</b>	<b>1,482,592</b>

(\*) As of 31 December 2012, includes restructuring expenses amounting to TL11,602 (31 December 2013: None).

(\*\*) As of 31 December 2012, includes TL7,646 restructuring charges (31 December 2013: None).

(\*\*\*) As of 31 December 2012, includes TL1,382 restructuring charges (31 December 2013: None).

(\*\*\*\*) Includes TL295 restructuring charges. (31 December 2013: None).

(\*\*\*\*\*) Included TL43,951 (31 December 2012: TL26,496) in other premiums paid to the Saving Deposit Insurance Fund, TL83,010 (31 December 2012: TL72,997) is other taxes and duties paid and as of 31 December 2012 merger and restructuring costs is TL11,492.(31 December 2013: None).

(\*\*\*\*\*) The classification mentioned in the 3rd part XXIV numbered note has been done in prior year financial statement.

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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

**8. Information on profit/(loss) from continued and discontinued operations before taxes:**

Profit before tax of the Bank consists of net interest income and net fees and commission income amounting to TL1,972,239 (31 December 2012: TL1,844,714) and TL647,518 (31 December 2012: TL536,890), respectively; while operating expenses are TL1,701,857 (31 December 2012: TL1,482,592).

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

- a) As of 31 December 2013, the current tax charge is TL60,125 (31 December 2012: TL239,694), and deferred tax asset is TL103,991 (31 December 2012: TL84,599 deferred tax liability). There is no current and deferred tax income due to calculated discontinued operations.
- b) Deferred tax benefit on temporary differences resulted from continued operations is TL103,991 (31 December 2012: TL84,599 deferred tax liability).
- c) Tax reconciliation:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit before tax</b>	<b>699,164</b>	<b>653,661</b>
<b>Additions</b>	<b>160,167</b>	<b>158,120</b>
Nonallowable expenses	28,658	17,167
General loan loss provision	131,509	140,953
<b>Deductions</b>	<b>(38,751)</b>	<b>(23,366)</b>
Dividend income	(4,910)	(17,929)
Other	(33,841)	(5,437)
<b>Taxable Profit / (Loss)</b>	<b>820,580</b>	<b>788,415</b>
Corporate tax rate	20%	20%
<b>Tax calculated</b>	<b>164,116</b>	<b>157,683</b>

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

The Bank's net profit from continued operations for the year ended 31December 2013 is TL535,048 (31 December 2012: TL495,978).

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

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2012: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2012: None).
- c) Profit or loss attributable to minority shares: None (31 December 2012: None)



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**IV. Explanations and Disclosures Related to the Statement of Income (Continued)**

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

	<b>Current Period</b>	<b>Prior Period</b>
<b><u>Other fees and commissions received</u></b>		
Card fee and commissions	446,587	441,309
Intelligence fee and commissions	61,410	45,753
Insurance commissions	52,091	40,233
Settlement expense provision, eft, swift, agency commissions	29,509	17,653
Transfer commissions	26,333	29,134
Fund management fees	22,221	18,492
Commissions and fees earned from correspondent banks	5,726	14,880
Other	207,272	173,246
<b>Total</b>	<b>851,149</b>	<b>780,700</b>
<b><u>Other fees and commissions paid</u></b>		
Credit cards commissions and fees	226,183	258,824
Settlement expense provision, eft, swift, agency commissions	10,556	8,279
Commissions and fees paid to correspondent banks	6,792	6,019
Other	59,981	53,622
<b>Total</b>	<b>303,512</b>	<b>326,744</b>

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

- a) Increasing resulting from revaluation of financial assets available for sale is TL194,054 (31 December 2012: TL201,018 decreased) and change effect to deferred tax is TL38,810 (31 December 2012: TL40,203)

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging amounting TL105,299 expense (31 December 2012: TL204,477 income).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL88,755 income (31 December 2012: TL3,460 income).

- b) Increase in cash flow risk hedging items:  
The Bank hedges itself against cash flow risk from Turkish Lira short term time deposits through its interest rate swaps. In this context, the effective portion is accounted for under equity in "Hedging Funds" account. The related amount in year 2013 is TL102,314 increased (31 December 2012: TL67,713 decreased) and change effect to deferred tax is TL20,463 (31 December 2012: TL13,543).
- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.

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

g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL24,281 in 2013 (31 December 2012: TL10,334).

h) Information on shares issued:

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

**VI. Explanations and Disclosures Related to Statement of Cash Flows**

**1. The effects of the other items stated in the cash flow statement and the changes in foreign  
currency exchange rates on cash and cash equivalents:**

“Other items” amounting to TL1,196,638 (31 December 2012: TL1,733,960) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL170,520 (31 December 2012: TL229,184) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL1,881,042 (31 December 2012: TL2,051,946) consists of changes in sundry debtors, blocked reserved deposits and other assets.

Other items” amounting to TL44,644 (31 December 2012: TL16,939) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL28,013 for the year 2012 (31 December 2012: TL16,322 negative).

**2. Cash and cash equivalents at beginning and end of periods:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

<b>Beginning of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>1,088,529</b>	<b>2,429,724</b>
Cash in TL/Foreign Currency	591,035	487,808
Central Bank – Unrestricted amount	447,146	1,616,648
Other	50,348	325,268
<b>Cash equivalents</b>	<b>2,378,675</b>	<b>817,678</b>
Banks	678,675	307,678
Money market placements	1,700,000	510,000
<b>Total cash and cash equivalents</b>	<b>3,467,204</b>	<b>3,247,402</b>

<b>End of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>1,546,637</b>	<b>1,088,529</b>
Cash in TL/Foreign Currency	673,702	591,035
Central Bank – Unrestricted amount	852,969	447,146
Other	19,966	50,348
<b>Cash equivalents</b>	<b>286,135</b>	<b>2,378,675</b>
Banks	286,135	678,675
Money market placements	-	1,700,000
<b>Total cash and cash equivalents</b>	<b>1,832,772</b>	<b>3,467,204</b>

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

**TÜRK EKONOMİ BANKASI A.Ş.  
UNCONSOLIDATED NOTES TO THE YEAR END FINANCIAL STATEMENTS FOR THE  
PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013**

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

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**VII. Explanations on the Risk Group of the Bank**

**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

Balance sheet items of previous periods are presented as of 31 December 2012; income/expense items of previous periods are presented as of 31 December 2012.

a) Current Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and other receivables					
Balance at beginning of period	64	8,368	2,815	4	35,486	396,822
Balance at end of period	97	7,967	20,666	10	12,228	376,434
Interest and commission income	328	181	2,730	32	887	626

Subsidiaries, associates and entities under common control balance above includes TL97, direct and indirect shareholders of the Bank balance above includes TL13,536 and other entities included in the risk group balance above includes TL666 placement in foreign banks.

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and other receivables					
Balance at beginning of period	404	3,126	76,412	4	127,364	231,970
Balance at end of period	64	8,368	2,815	4	35,486	396,822
Interest and commission income received	4,222	113	3,684	23	16,163	95

Subsidiaries, associates and entities under common control balance above includes TL64, direct and indirect shareholders of the Bank balance above includes TL2,118 and other entities included in the risk group balance above includes TL152 placement in foreign banks

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current period	Prior period	Current period	Prior Period
	Deposits					
Balance at beginning of period	44,929	46,466	471,343	430,246	236,958	372,913
Balance at end of period	55,298	44,929	1,148,318	471,343	667,056	236,958
Interest on deposits	1,808	1,502	27,654	14,033	9,677	23,496

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

**TÜRK EKONOMİ BANKASI A.Ş.  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**VII. Explanations on the Risk Group of the Bank (Continued)**

**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (Continued)**

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current period	Prior period	Current period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of period	-	-	8,489,076	9,020,778	3,628	178,125
End of period	-	-	11,369,222	8,489,076	664,232	3,628
Total income/loss	-	-	(35,159)	12,945	1,563	792
Hedging transactions purposes						
Beginning of period	-	-	830,956	522,500	-	-
End of period	-	-	480,718	830,956	-	-
Total income/loss	-	-	24,388	(16,405)	-	-

d) As of 31 December 2013, the total amount of remuneration and benefits provided for the senior management of the Bank is TL25,217 (31 December 2012: TL26,259).

**VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches**

**1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:**

	Numbers	Employees		Total Assests	Capital
Domestic branches	539	9,935			
Rep-offices abroad	-	-			
Branches abroad	4	63	Cyprus	485,440	20,000
Off-shore branches	1	3	Bahrain	889,687	-

**2. Explanations on Branch and Agency Openings or Closings of the Bank:**

In the year 2013, Bank opened 36 branches , closed 1 branch.

**IX. Explanations on significant events and matters arising subsequent to balance sheet date:**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Explanations on Other Activities of Bank**

None.

**SECTION SEVEN**

**INDEPENDENT AUDITOR’S REPORT**

**I. Explanations on the Independent Auditor’s Report**

The unconsolidated financial statements of the Bank were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 13 February 2014 is presented preceding the financial statements.

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

None.

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