

2013 Annual Report



 **HALKBANK**

› Productive Turkey's Bank

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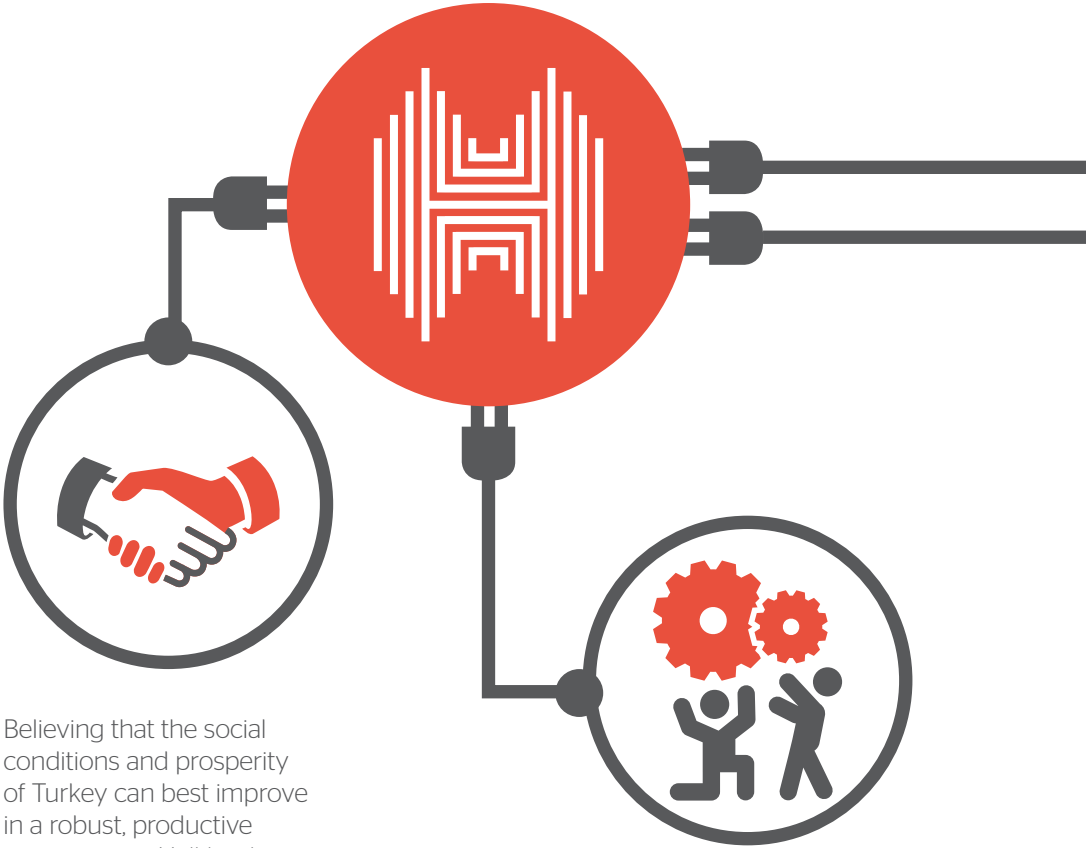
GROWING STEADILY

**We have left behind
a year full of
accomplishments
in terms of growth
and profitability.**

**We take pride in our
achievements as the
steadily growing,
pioneering bank of
Progressing Turkey.**

Corporate Profile

SMEs in Turkey are producing, growing and looking forward to the future with optimism **with the support of Halkbank.** Their success is our success...



Believing that the social conditions and prosperity of Turkey can best improve in a robust, productive environment, Halkbank has **operated with the mission of providing support to the producers of the economy since its founding.**

We see our clients as the most important players in the real economy; **we conduct our operations understanding that they are the drivers of the economic growth** that has increased national income and raised living standards in Turkey in recent years.



Our activities are based on the principle of standing by our clients and providing support at all times and under all circumstances. The best proof of this commitment is our steadily increased lending and new branch openings, even during the economic crisis.



SMEs in Turkey are producing, growing and looking to the future with hope, thanks to the support of Halkbank. Their success is our success...
Halkbank's success is the success of growing and developing Turkey.

Halkbank in Brief

Halkbank today is a **steadily growing, 75-year-old** brand that ranks among the longest established, pioneering and respected in progressing Turkey.

Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed in its 75 year history. Halkbank sees every craftsman, farmer and small, medium or large size enterprise owner that creates value and generates employment as a business partner; the Bank strongly believes it's duty is to support these economic producers with its entire financing capability both in good and bad days. Allocating 36.8% of its total loans to SMEs, Halkbank continues to be their primary supporter in Turkey.

As of the end of 2013, Halkbank operates with a global perspective, through 872 domestic and 5 overseas branches, 1 overseas representative office, 2,961 ATMs, telephone and internet banking platforms, mobile banking applications; the Bank's innovative products and services provide customers with an unparalleled banking experience. Some 48.9% of Halkbank's outstanding shares are publicly held and the Bank boasts the highest return on equity (ROE) among its peers thanks to its highly efficient use of capital.

Halkbank today is a steadily growing, 75-year-old brand that ranks among the longest established, pioneering and respected in progressing Turkey.

Amendments to the Articles of Association in 2013

Articles numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33 and provisional article no. 1 of the Articles of Association have been amended. Further, articles numbered 34, 35, 36, 37, 38, 39, 40, 41, 42 and provisional article no. 2 have been added to the Articles of Association. The former and current text of the Articles of Association is presented on page 77 of this report.

Shareholding Structure

Türkiye Halk Bankası A.Ş.'s total paid-in capital is TRY 1,250,000,000.

99.999996207% of the Bank's share capital, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, was transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

The Bank's controlling shareholder is the Privatization Administration of Turkey with an equity stake of 51.10604% (Address: Ziya Gökalp Cad. No: 80 Kurtuluş/Ankara). Neither the Chairman/Vice Chairmain/General Manager nor the Members of the Board of Directors hold shares in the Bank.

Shareholder	Paid Capital (TRY)	Shareholding (%)
1- Privatization Administration*	638,825,500	51.1060400
2- Free Float*	610,722,650	48.8578120
3- Other**	451,850	0.0361480
Total	1,250,000,000	100.0000000

* Of the shares owned by the Privatization Administration of Turkey, an amount corresponding to TRY 549,932 of share capital is eligible for trading on the stock exchange; along with these shares, 48.90% of the Bank's outstanding shares are publicly traded.

** Shows the shareholding of 14,691 shareholders.

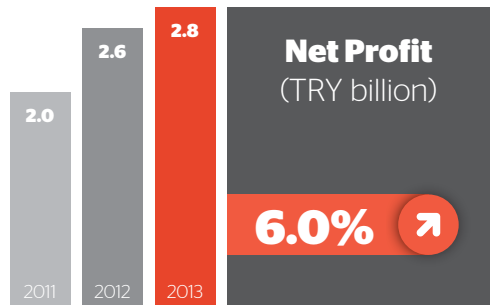
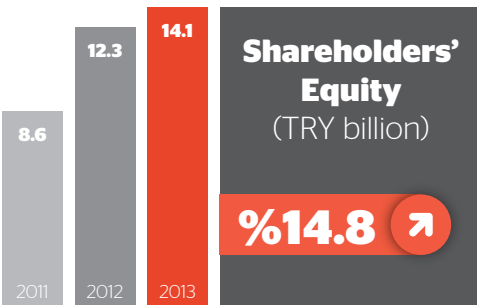
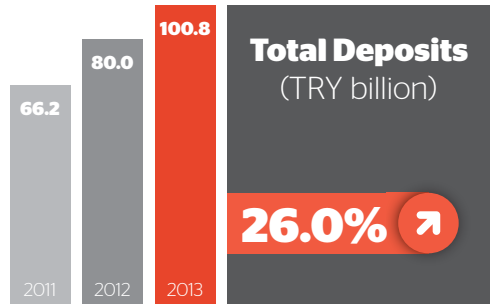
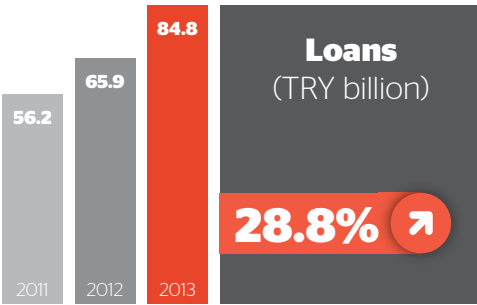
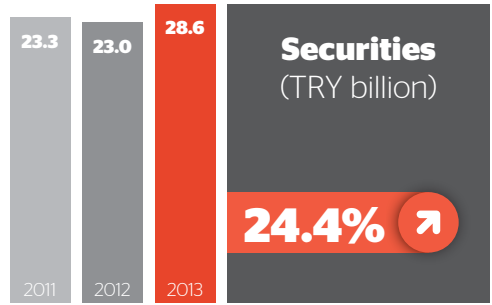
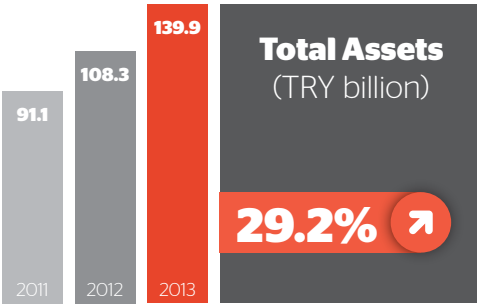
Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.

Key Financial Indicators and Ratios

Halkbank's total assets **rose by 29.2% to TRY 139.9 billion as of year-end 2013**, up from TRY 108.3 billion at year-end 2012.

KEY FINANCIAL INDICATORS

(TRY million)	2013	2012	Change (%)
Total Assets	139,944	108,282	29.2
Liquid Assets	21,825	15,120	44.3
Loans	84,848	65,894	28.8
Securities	28,559	22,954	24.4
Total Deposits	100,756	79,974	26.0
Shareholders' Equity	14,146	12,323	14.8
Net Interest Income	4,829	4,476	7.9
Net Fee and Commission Income	930	858	8.3
Gross Profit	3,365	3,329	1.1
Net Profit	2,751	2,595	6.0
Key Ratios (%)			
Interest Bearing Assets/Total Assets	81.4	83.2	
Loans/Total Assets	60.6	60.9	
Non-performing Loans/Total Loans (Gross)	2.6	2.9	
Demand Deposits/Total Deposits	18.6	20.1	
Loans/Deposits	84.2	82.4	
Average Return on Assets	2.2	2.6	
Average Return on Equity	20.8	24.8	
Capital Adequacy Ratio	13.9	16.2	

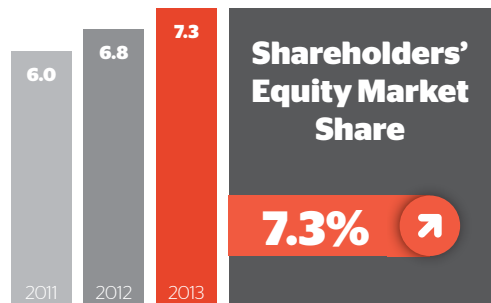
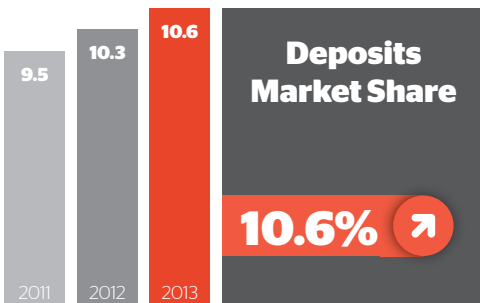
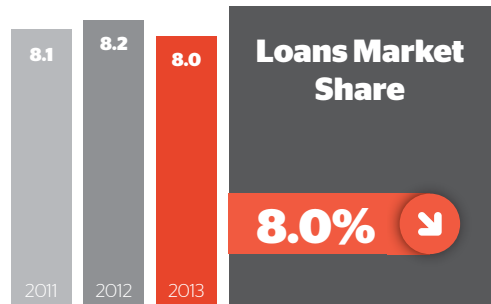
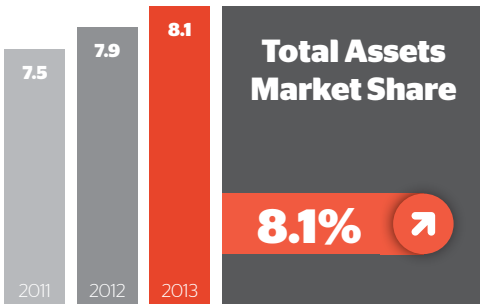


Key Financial Indicators and Ratios

Halkbank continued to deliver **a high return on equity, over the sector average** in 2013.

HALKBANK'S POSITION IN THE SECTOR

Market Share (%)	2013	2012
Total Assets	8.1	7.9
Loans	8.0	8.2
Securities	9.4	7.9
Deposits	10.6	10.3
Shareholders' Equity	7.3	6.8
Profit	11.1	11.0



* The sector data as of December 31, 2013 that are presented in the Report are the figures announced by the Banking Regulation and Supervision Agency of Turkey on February 12, 2014.

Halkbank's Historical Development

Since its establishment, Halkbank has placed a priority on investments that **contribute to the Turkish economy and the country's social development.**

During the early years of the Republic of Turkey, economic difficulties resulted from the lack of capital stock, scarcity of production facilities and the under-developed private sector. These factors prevented the emergence of institutions that were able to lend to small enterprises, artisans and tradesmen.

The Great Depression of 1929 led to challenging economic circumstances in Turkey. Over time the commercial activities of artisans and tradesmen contracted.

The banks and other state enterprises that started operations in the years following the establishment of the Turkish Republic were unable to address the unique problems facing small artisans and tradesmen, which constituted the largest segment of the economy. As a result, Halkbank was established to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

Subsequently, Atatürk provided guidance for the newly founded Bank's future objectives by proclaiming, "My bliss will rise to the highest level when I see the small shops of tradesmen replaced with glorious factories."

Halkbank's Historical Development

Aiming to earn positive value to Turkey by providing financing to the producers, Halkbank, is able to serve **all the financial needs of its clients by the variety of its credit products.**

Halkbank's founding

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933.

This legislation promoted development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to assume the principal function in the areas deemed appropriate by the Bank. However, it took five years to implement this hybrid system.

Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. In 1964, the Bank increased its capital and started working actively to expand its deposit base and lending activities.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993, and Etibank in 1998. Growing more diversified and stronger with each merger, Halkbank reorganized in 2000 to operate more effectively in a modern banking and internationally competitive environment while readying itself for privatization. In 2001, the Bank acquired Emlak Bankası and its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized merely in half the time of the originally projected timeline of nine months, this integration was recorded in the world banking history as a bank merger that was completed successfully in a very short amount of time.

The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Successful Public Offerings

Halkbank's share flotation in 2007 generated record demand for the largest public offering ever in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for US\$ 1.8 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion (US\$ 12.9 billion), eight times the size of the public offering. Halkbank's successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. The highly successful public offering raised TRY 4.5 billion for the Bank. Of the total offering, 80% of the shares were sold to foreign investors while domestic institutional investors and domestic retail investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa İstanbul A.Ş. and the third-largest in Europe, with the smallest discount to date, marking yet another notable achievement for the Bank.

Professional Approach to SME Banking

Since its foundation, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen

its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified lineup of loan products for investment, production, domestic and foreign trade, and retail financing. In addition to its domestic funding sources, the Bank also cooperates with international financial institutions including the European Investment Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their unique requirements; in addition, the Bank meets the local and regional needs of SME customers through credit agreements with chambers of commerce and industry throughout Turkey.

Halkbank is constantly evolving. Specifically, the Bank works to increase cooperation with regional development agencies; extend additional loans through KOSGEB (Small and Medium Enterprises Development Organization); and bolster the amount and variety of funding sources secured from international financial institutions. In addition, Halkbank implements organizational change strategies to better serve SMEs and meet their unique needs. The Bank's fast, effective, high-quality SME solutions ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

Halkbank's Historical Development

Halkbank **uses technology** to facilitate customer banking transactions in all environments **as required of the financial services industry today.**

Rich Retail Banking Portfolio

With a core strategy of "increasing productivity and profitability", Halkbank's objective in the coming period is to be a customer-oriented bank with a strong market presence in retail services.

Upon entering the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for education, healthcare and vacation, the Bank added retail loans with convenient repayment options for target occupational groups to the Bank's product portfolio.

Thanks to a partnership agreement between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced with Advantage features; as a result, Halkbank cardholders could benefit from the installment and CashPoint features of the Advantage card.

The first prepaid contactless debit card in Europe launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management System Standard Certification in 2008.

In December 2012, Halkbank terminated its Advantage card partnership with HSBC and launched a new credit card brand, Paraf, with the slogan, “Paraf: Home of Benefits.” With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized to the personal preferences and needs of customers.

Strong technologic infrastructure

Halkbank uses its advanced technology infrastructure as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank launched a variety of technology related initiatives including data warehousing, data mining and customer relationship management; these projects help facilitate the Bank’s business strategy development and decision-making processes, identification of customer profiles and needs, and products and service offering.

Halkbank implemented its “Identity Management System” (IdM), developed in cooperation with Koç Sistem, at the Bank’s headquarters and branches in 2008. The Identity Management System allows employees to conduct all banking transactions as well as receiving healthcare and social security services using a single ID number or card.

Halkbank uses technology to facilitate customer banking transactions in all environments as required of the financial services industry today.

A Strong Regional Bank in Nearby Geography

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey’s surrounding geography. In 2011, Halkbank acquired the shares of IK Bank, the SME bank of Macedonia. Aiming to be one of Macedonia’s top three banks, Halkbank operates in the country as Halk Banka A.D., Skopje. In 2012, Halk Banka A.D., Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

Istanbul became the Bank’s headquarters

At the Ordinary General Assembly Meeting of Halkbank held on the date of March 29, 2013, Bank’s headquarters was repositioned from Ankara to Istanbul with the approved amendments made to the Articles of Association.

Halkbank’s Human Resources

Under a reorganization initiative, Halkbank upgraded its employee profile as well as its organizational structure. As of year-end 2013, the Bank’s head count totaled 14,798.

Halkbank Milestones

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out its credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Carrying out its credit services through the Public Funds channel between 1938 and 1950, Halkbank was authorized to open branches and lend directly in 1950.

1964

Halkbank created the first fund for the construction of small industrial markets and estates. That same year, the Bank started working actively to expand its deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.

1992

Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank in 1992 with all of its personnel, branches, assets and liabilities.

1993

Halkbank acquired Sümerbank in 1993 with only its assets and liabilities.

1995

The first Entrepreneur Information Center was established.

1998

Etibank was merged into Halkbank with only its assets and liabilities in 1998.

2000

Halkbank launched restructuring initiatives pursuant to Law No. 4603 regarding the restructuring of state-owned banks to operate in accordance with the requirements of modern banking and global competition and to prepare for privatization.

2001

Halkbank acquired Türkiye Emlak Bankası, which was then in the process of being liquidated, with its 96 branches, personnel and balance sheet.

2004

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all of its assets, liabilities, branches and employees.

2007

Halkbank's floatation in 2007 which met with the record demand, was registered in the history of the Borsa İstanbul A.Ş. as the largest public offering carried out in Turkey up to that date. 24.98% of Halkbank shares were floated. Thanks to this successful floatation, Halkbank received the annual "Best Public Offering" award from East Capital, a leading European investment company. Within the framework of agreement between Halkbank and HSBC that year, Halkbank credit cards were enhanced with Advantage feature.

2008

Halkbank credit cards were redesigned to offer all privileges of Advantage and launched under the Halkbank Advantage brand.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers,

Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management System Standard Certification in 2008.

In addition, the first prepaid contactless debit card in Europe launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with national and international regulations and practices in corporate social responsibility, the environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank became the first bank to establish solution partnerships with these entities; the objective of which is to contribute to regional economic development and social progress.

2011

"Halk Academy", the school of banking, was restructured to provide the highest quality of training for Halkbank employees; The Academy conducted programs generally dealing with banking, personal development and social responsibility.

Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank's efficiency and accelerate its growth.

Halkbank is striving to expand its successful domestic performance to overseas markets and become a powerful regional bank in Turkey's surrounding geography. In 2011, the Bank acquired the shares of Export and Credit Bank Inc./ Skopje, the SME bank of Macedonia. Aiming to be one of Macedonia's top three banks, Halkbank conducts its activities under the business name of Halk Banka A.D., Skopje.

2012

Halkbank launched its credit card brand, Paraf, with the slogan, "Paraf: Home of Benefits" in 2012. Showcasing its ambitions in the retail banking segment with the launch of Paraf, the Bank aims to raise its credit card market share to 6%.

Halkbank shares were floated in 2012 through a secondary public offering, which raised the Bank's Free-float ratio to 48.9%.

In 2012 Halkbank secured a syndicated loan of € 558 million and US\$ 207.5 million with the participation of 46 banks from 23 countries and successfully completed the issuance of US\$ 750 million worth of Eurobonds, confirming its strong reputation in the eyes of international investors. The Bank also issued TRY 1.5 billion of bank bonds.

2013

At the Ordinary General Assembly Meeting of Halkbank held on the date of March 29, 2013, Bank's headquarters was repositioned from Ankara to Istanbul with the approved amendments made to the Articles of Association.

Halkbank expanded its Paraf card product portfolio in 2013 and introduced Parafly, a credit card designed specifically for travel spending. Attaining its year-end target after just six months, the Bank issued some 3.2 million Paraf cards to customers in 2013.

Halkbank rolled over its syndicated loan of € 562 million and US\$ 259 million with the participation of 41 banks from 19 countries and placed its second Eurobonds issue in international capital markets which totaled US\$ 750 million. The Bank also issued TRY 2.5 billion in bank bonds.

Halkbank's Vision, Mission, Objectives and Corporate Values

OUR VISION

To be the region's leading bank for SMEs, to have universal banking capabilities and to establish a strong market presence in retail services.

OUR MISSION

To continuously create value for customers, shareholders and employees by providing all banking services efficiently with an awareness and understanding of corporate social responsibilities and duties; to contribute to the development of the banking sector and capital markets; to establish a well-respected market position in the region and in the global banking industry.

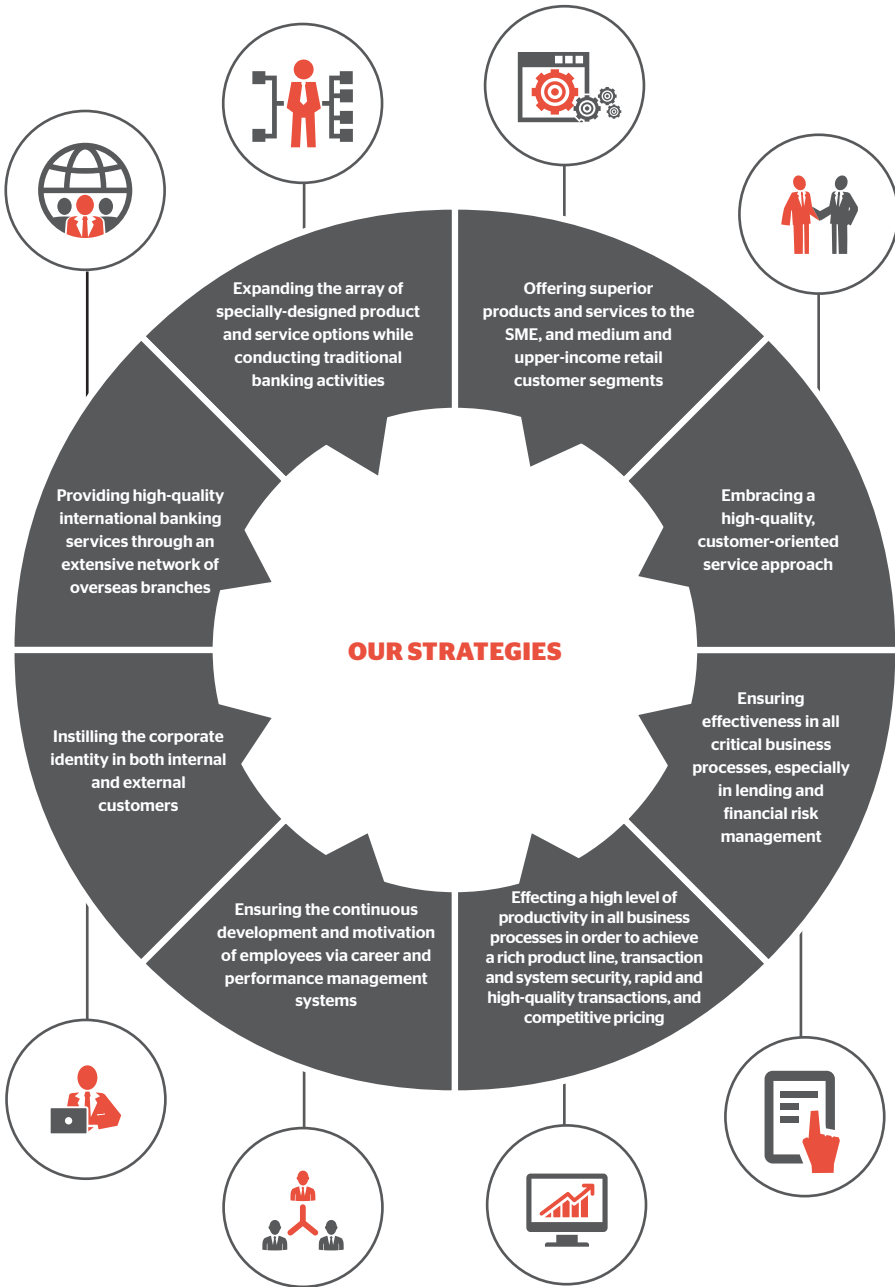
OUR OBJECTIVES

To be the leading bank for SMEs in the region,
To be the first choice of SMEs and retail customers,
To be the preferred bank of employment for the most skilled personnel in the banking industry,
To ensure customer satisfaction with the fastest and highest quality services in the industry in all business processes,
To grow steadily while sustaining profitability.

OUR CORPORATE VALUES

Customer focus	Transparency
Reliability	Sensitivity
Integrity	Self-confidence
Creativity	Openness to change
Dynamism	Social responsibility awareness
Rationalism	Sharing of knowledge and experience
Teamwork	
Productivity	

Halkbank's Strategies



Chairman's Assessment

One of the six largest banks in Turkey, **Halkbank kept its promise of serving productive Turkey** and continued its support to Turkey and the real economy.



Halkbank secured a total of EUR **562** million and USD **259** million syndicated loans.



We will continue to support our SMEs with both financial and non-financial banking products and services.

Dear stakeholders,

Especially as of its first half, the year we left behind has been one of global economic recovery. Despite the fact that there were a number of short-term fluctuations, when the stability Turkish economy gained as well as the power and significance Turkey possesses in the global arena are considered, we can say that we have, also with the help of our financial system, successfully came through this process.

During its last meeting of the year, the Federal Reserve System of the US (Fed) has announced that there will be a USD 10 billion decrease in the purchase of securities. This decision, which resolved the uncertainty that had been going on since the beginning of the year regarding expectations of change in the purchase of assets, is a sign that global economies are in the beginning of the process of normalization. Although the decisions by Fed caused concern for the short-term, we do not expect them to have a great impact on our economy. When the potential of our country is taken into consideration, we can easily say that Turkey will continue to be one of the global attraction centers.

Turkey achieved 4.4% growth rate in the third quarter of the year by going over the expected 4.2%, and the successful performance of the finance industry had an impact in reaching this rate. This result indicates that Turkey performs in accordance with expectations even under uncertain circumstances thanks to the power of its financial industry and the success of its economic policies. We believe that Turkey will achieve a growth rate in line with expectations at the end of the year as well.

In 2013, Turkey increased its volume of foreign trade with the member countries of the OECD by 7.2% in comparison to the previous year, and reached USD 192,895 million. We see that the export rates will be increasing and that the current deficit will be decreasing in line with the measures taken within the framework of the Medium-Term Plan and the savings policies that will be put in place as of 2014. The fact that there is an increase in export to EU countries during this period shows that Turkey will continue its successful performance.

Thanks to our high reputation in international markets, we also continue our efforts to contribute to Turkey's successes. That our issuance of bonds in USD with a seven-year maturity with the minimum borrowing rate in January has attracted international investors is one of the significant signs of this contribution.

In June, we have secured a total of EUR 562 million and USD 259 million syndicated loans in two tranches from the international markets by signing a one-year syndicated loan agreement with a consortium comprising 41 banks from 19 countries. We will continue to provide syndicated loans, which we were able to renew 109% in USD, for financing foreign trade activities of the real economy and to contribute to our country's economy as it gains global significance.

As one of the biggest banks in Turkey, we are proud to put lucrative investment products at the disposal of our customers.

In this respect, our bank has issued its sixth bond on December 23-25 2013. Due to great interest of investors, we have increased the amount of issuance from TRY 750 million to TRY 1 billion and successfully completed the public offering. Thus, the planned demand came to over 1.6 times the public offering value. This result is a sign our customers' trust in our bank, and with the strength we take from this trust, we will continue our operations with the same resolve.

As the bank of productive Turkey for the past 75 years, we will continue our support for small- and medium-sized enterprises (SMEs) in the coming period as well. We believe that supporting the real economy will be more important than before within the framework of the savings policies that will become prominent as of 2014, and we add new products and services in order to support our SMEs in any way we can, financially and otherwise. In this respect, we will continue to use the strength and reputation of our bank in order to contribute to our country by signing national and international protocols.

Dear stakeholders,

All the uncertainties in 2013, and the economic fluctuations as a result, have showed once more how important a strong financial system is for a stable economy. One of the six largest banks in Turkey, Halkbank kept its promise of serving producing Turkey and continued its support to Turkey and the real economy.

As a bank that left 75 years behind, we believe that we will take another step further with every new day with the strength we receive from our past and with our success of adapting to the new, and that we will achieve new successes in the new year with the faith of our esteemed stakeholders, the trust of our customers and the tenacity of our employees.

Sincerely,

Hasan CEBECİ
Chairman of the Board of Directors

General Manager's Assessment

Achieving results consistent with the goals

we have set in 2013 is our pride and joy.



TRY 139.9 billion

Our total assets increased by 29.2%.



TRY 84.8 billion

Our cash loans increased by 28.8%.

Dear stakeholders,

When we look at the global economic outlook, we see that there was a moderate recovery especially as of the first half of the year. The long-lasting recession in the Euro Zone as well as due to the low domestic demand and the resulting decelerated growth caused many international institutions to revise their forecasts down. In addition to this, continuing financial problems in developed countries and the fact that they are abandoning the expansionary monetary policy as well as the deceleration in developing countries are among the factors that compress the global economy. The volatility of capital flows due to these risks increase the downside risks in relation to the economies of developing countries through credit and expectation channels.

The developments in global economy have various impacts on the economy and finance industry of our country. During this period, as the contribution of foreign demand to growth rate gradually decreased due to weak global demand, domestic demand had positive effects. Despite this, the uncertainties of the strategies of the Federal Reserve System of the US (Fed)

regarding the expansionary monetary policy, volatility in capital movements and the rise in the exchange rates and interest rates had a negative impact on growth indicators.

Although the fact that Turkey gain investment grade rating caused fluctuations in peaking markets, the uncertainties in Fed's monetary policies continues to affect risk appetite. Despite these developments, our country achieved results in line with its aims as a result of the prudent financial policies that have been applied since 2002, attained macroeconomic stability and is in the least susceptible position to economic and market fragilities.

Towards the end of the year, in their statement where they mentioned that the Turkish banks might face pressure from increasing interest rates and low growth rate, Fitch Ratings indicated that the banks are strong enough for the increasing risks. Similarly, we also see that, with its asset quality, capital adequacy, funding structure and profitability capacity, the banking industry preserves its strong and healthy position. When all of these developments are taken into consideration, with the help of the power of the banking system, we believe that our country will reach the growth rate it aimed for.

In the case of our bank, as we leave 75 years behind, we are proud to be one of the most successful financial institutions in Turkey in terms of growth and profitability, and the fastest growing bank in Europe since 2008. As a bank with sustainable return on equity that is by far above the industry average we are pleased to see that our success throughout the years is also followed by international institutions. This creates significant motivation for us.

With the strength we derive from these developments, we add new services for the small- and medium-sized enterprises (SME) segment. Continually supporting the real economy since its foundation, our bank has utilized the reputation it gained through the protocols it signed and the collaborations it realized in 2013 in international markets to create new resources for the SMEs. Halkbank signed a EUR 100 million Innovative Enterprises Investment Loan Protocol

with the European Investment Bank (EIB), becoming the first bank outside the EU countries to provide this loan scheme. Our bank will be financing the capital for the new and expanding investments of "innovative" enterprises that are R&D- and innovation-oriented and that have a high growth rate. In addition to this protocol, with the EUR 50 million loan agreement that was signed as a continuation of the EIB Growing Anatolian SME Loan Scheme, the total resources secured from the EIB reached around EUR 950 million.

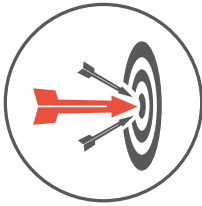
Our bank also signed a new USD 67 million loan protocol with the World Bank in order to finance the capital needed for energy efficiency investments by SMEs and large sized companies. With this protocol, Halkbank increased the total support received from the World Bank to USD 650 million. With the energy efficiency loan scheme, we aim to support increasing the international competitive power of our SMEs.

Enriching the financial support it provides to SMES and small business owners with non-financial instruments, our bank continued its services oriented at tradesmen, craftsmen and entrepreneurs. With the Common Supply System, which was established to bring tradesmen and craftsmen together with the big brands in the industry, we expect the needs especially with regard to commercial vehicle and purchase of goods to be provided under good conditions. Another important step we have taken with regard to the real sector was to renew the Practical Entrepreneurship Training Protocol with the Small and Medium Enterprises Development Organization (KOSGEB). We will be focusing on women entrepreneurs in 2014 and we aim to reach 1,000 women entrepreneurs in 20 cities within the scope of the trainings, which reached 800 entrepreneurs from 17 cities until now. We will provide financial support to those women entrepreneurs who successfully complete their trainings in order to establish their own businesses.

On the other hand, we have realized the public offering of one of our profitable investment products, our bank bonds on December 23-25. Due to great interest of investors, we have

General Manager's Assessment

With the results it achieved during 2013, our bank has kept **its steady performance.**



20.8%

Our bank closed the year with 20.8% return on equity.



TRY 2.8 billion

Our bank had a net profit of TRY 2.8 billion in 2013.

increased the amount of issuance from the previously planned TRY 750 million to TRY 1 billion, and successfully completed the public offering.

In addition to these efforts, we have achieved significant success in the field of personal banking with the Paraf family, and we continue to develop and shape Paraf according to the needs of our customers. With Parafly, our credit card designed for travel expenses, we believe many a new customer will be joining the exclusive world of Paraf.

Our bank, which is closely followed by both domestic and foreign markets, has taken steps to further strengthen its reputation in the international markets. Taking action to open an agency in London in order develop relations with corporate investors and correspondent banks, our bank will also be looking into other opportunities in the Gulf region and the Far East.

As we celebrate our 75th anniversary at the end of 2013, we are proud and joyful that we have achieved results consistent with the goals we have set. Having a net profit of TRY 2.8 billion in 2013, our bank closed the year with 20.8% return on equity. The cash loans of our bank has increased by 28.8% and reached TRY 84.8 billion while our loans make up the 60.6% of our total assets. Our bank has continued its steady performance with these outcomes.

As a result of our efforts in 2013, total assets of our bank increased by 29.2% when compared to 2012 and reached TRY 139.9 billion; the growth rate of our bank was above that of the industry.

We have provided continual support to the SMEs throughout the year and thus maintained our position as one of the leading banks in the field. Our commercial loan volume, which also

includes SME loans, has increased by 27.8% and reached TRY 61.6 billion. The share of the total loans we have given to SMEs including small business owners within our own cash loan portfolio was 36.8%. We will continue our success in 2014 in the field of SME banking, which is yet to become even more important with the savings policies.

Aiming to provide solutions that would meet all needs within the scope of banking services, our bank also came to the fore with its efforts in the field of retail banking. In 2013, retail loans given by Halkbank reached TRY 23.2 billion. Our bank was also below the industry average in non-performing loans in the same period with a rate of 2.6%.

As of December, we have left the first year of our credit card Paraf behind. During the past year, Paraf has achieved significant success and substantially contributed to our bank in the field of retail banking. During this period, while the number of Paraf credit cards increased to 3.2 million, the number of POS terminals reached 163 thousand and the number of merchants to 137 thousand. In 2013, we had a 35.3% increase in the number of credit cards and a 69.7% in the credit card turnover. We will continue to expand the exclusive world of Paraf with new campaigns and products.

Starting the year of 2013 with a target of at least 40 new branches, our bank has exceeded its target by commissioning 56 new branches. Together with its new members, Halkbank family completed the year with a total of 14,798 employees.

While we contributed to Turkish economy with our success in the banking industry, we have also continued to support national volleyball with the Halkbank Sports Club. Awarded with the Confédération Européenne de Volleyball

During the past year, Paraf has achieved **significant success** and substantially contributed to our bank **in the field of personal banking.**

Cup, our men's volleyball team brought the most important international volleyball cup home. As part of our support in sports, we have sponsored the FIFA Under-20 World Cup, the largest FIFA organization after the World Cup itself, and the Cup Tour organized as part of the competition. We aim to contribute to raising successful athletes with the work we do in this field.

Dear stakeholders,

With our 75 years of experience, strong financial structure and strategies, we aim to continue our operations in line with our mission during 2014 as well, and believe that we will reach our aims with the support and faith of our customers, investors, employees and business partners. We extend our thanks to all our esteemed stakeholders who give strength to the Halkbank family with their support and faith.

Sincerely,

Ali Fuat TAŞKESENLIOĞLU
General Manager

Board of Directors and the Audit Board





Emin Süha ÇAYKÖYLÜ (1)
Member of the Board of Directors

Dr. Nurzahit KESKİN (2)
Member of the Board of Directors

Ali Fuat TAŞKESENLIOĞLU (3)
Member of the Board of Directors and
General Manager

Hasan CEBECİ (4)
Chairman

Süleyman KALKAN (5)
Vice Chairman

Süleyman ASLAN (6)
Member of the Board of Directors

Sabahattin BİRDAL (7)
Independent Member of the Board of
Directors

Faruk ÖZÇELİK (8)
Member of the Audit Board

İsmail Erol İŞBİLEN (9)
Independent Member of the Board of
Directors

Dr. Ahmet YARIZ (10)
Independent Member of the Board of
Directors

Ali ARSLAN (11)
Member of the Audit Board

Ahmet KAHRAMAN (12)
Member of the Board of Directors

* Mr. Ahmet KAHRAMAN passed away on
December 29, 2013.

Pioneering Products

Paraf



Paraf, Halkbank's credit card brand that launched with the slogan "Paraf: Home of Benefits" continues to implement innovative products and services.

Parafly



Halkbank introduced Parafly, its credit card brand designed specifically for travel spending, with the slogan "Fly All You Can" in 2013.

Urban Transformation Loan



The Urban Transformation Loan product was developed to meet customer needs that may arise from Law numbered 6306 on the Transformation of Areas under Disaster Risk, and to finance the construction of new residential or office buildings to replace substandard existing structures planned for demolition.

Olay Loan



The "Olay" Loan is a no-fee product designed to meet the need for cash of Halkbank's direct payrollers as well as all public sector employees.

Halkbank Secured Check



Designed to facilitate the business of SMEs, Halkbank Secured Check guarantees the payment of the entire amount printed on the check on its due date.

People's Day Loan



Launched in celebration of Halkbank's 75th anniversary, the People's Day Loan is a promotional credit product with special interest rate and repayment terms.

Hızlı Geçiş Sistemi (HGS) Electronic Toll Collection



This convenient product allows for the purchase of Electronic Toll Collection (HGS) stickers from Halkbank without an added fee.

Mutual Fund Deposit Account



Halkbank developed the Mutual Fund & Deposit Account product to offer customers the ability to invest in two existing product groups, TL term deposits and mutual funds, in certain percentages at the same time.

Review of Operations in 2013

Rapid growth in the corporate and commercial banking segment **continued in 2013**, as Halkbank added new clients to the customer portfolio and further broadened its lending base.

CORPORATE AND COMMERCIAL BANKING

Continued Customer Satisfaction

The core of Halkbank's marketing strategy is its customer-oriented approach and focus on customer satisfaction. The first step in the Bank's relationship with its clients is identification of customer needs. Halkbank prioritizes customer satisfaction by offering the right products based on client needs and providing customers with convenient service. Conducting its Corporate and Commercial Banking operations in line with this approach during 2013, Halkbank also evaluated and finalized large-scale project finance options for its clients.

In addition to corporate and commercial branches, the Bank's SME and COMPOSITE branches affiliated with regional offices continued to provide services with their highly skilled personnel and specialized product range tailored for client profiles in their locale.

25.7% growth in corporate and commercial cash loans

Halkbank's rapid growth in corporate and commercial banking continued in 2013; the Bank's loan base expanded as it added new borrowers to the customer portfolio. During the year, Halkbank extended total cash loans of TRY 32.4 billion to its corporate and commercial segment clients, up 25.7% from 2012.





6

Number of
Corporate branches



37

Number of
Commercial
branches



25.7%

Increase in Corporate
and Commercial cash
loans



32.4

TRY billion

Halkbank's Corporate
and Commercial cash
loan amount

Review of Operations in 2013

In 2013, Halkbank maintained business relationships with various international financial institutions including the **European Investment Bank, World Bank and the French Development Agency** from which it secures long-term funding facilities; as a result, the Bank was able to finance many clients' investments.



Long-lasting international relations

In 2013, Halkbank maintained its business relationships with international financial institutions including the European Investment Bank, the World Bank and the French Development Agency from which it has obtained long-term, low-cost funding for many years; as a result, the Bank was able to finance many client investments.

Successful initiatives in project finance

Halkbank continued to do marketing and feasibility studies and also technical and fiscal analysis of the projects. Included energy production, transmission and distribution projects (e.g. natural gas transmission and distribution; electricity transmission and distribution; hydroelectric, solar and wind power plants; geothermal power plants; thermal power stations); port, airport, toll road, highway and railway, rail system and metro transportation projects; hospital, shopping center, convention center, hotel with more than 400 beds, holiday village, exhibition center construction projects; and build-operate-transfer, build-lease and operating right transfer projects.

Targeting customer satisfaction and profitability, Halkbank provided high-quality banking services to **corporate and commercial clients via 6 corporate and 37 commercial branches** in 2013.

US\$ 3.3 billion structured finance loan portfolio

Within its project finance business that serves the merger, acquisition, takeover, and other corporate finance needs of its clients, Halkbank continued to be an active player in the structured finance market in 2013 through direct lending relationships with individual companies and participation in bank consortiums. As of year-end, the Bank originated a total of US\$ 1.8 billion in structured finance loans for 13 projects that passed feasibility and creditworthiness assessments. Halkbank's structured finance loan portfolio totaled US\$ 3.3 billion at end-of-year 2013.

High-quality banking services

Targeting customer satisfaction and profitability, the Bank provided high-quality banking services to corporate and commercial clients via 6 corporate and 37 commercial branches in 2013.

Review of Operations in 2013

Halkbank continued to provide support to SMEs in 2013 with the slogan, “SMEs are our business, not our hobby.” Halkbank’s primary goal is to continue to offer fast, effective and quality solutions that meet the needs of SMEs.



SME BANKING

Halkbank: Turkey’s SME bank, providing support to the economy’s producers for 75 years

Halkbank maintained its SME Banking mission of 75 years and continued to stand by small and medium enterprises in 2013. The Bank provided significant support to small and medium enterprises during the year guided by the slogan, “SMEs are our business, not our hobby.” Halkbank’s primary goal is to continue to offer fast, effective and quality solutions that meet the needs of SMEs.

Effectively utilizing its extensive branch network and alternative delivery channels for SMEs, Halkbank developed a dynamic marketing strategy for this key segment in line with the concept of identifying the need on location and delivering the solution to the client’s door. As a result, the Bank positioned its branch network and marketing personnel in those regions of Turkey with a high concentration of industry, commerce and tradesmen. Halkbank’s mobilized marketing staff, while remaining in constant contact with businesses, provides SME-specific products and services, as well as training and advisory services, to a broad base of small and medium enterprise customers.

SME-specific Service Approach

Halkbank SME Banking conducts business via a portfolio management system developed in accordance with the philosophy, “Success comes from getting to know the customer.” SME Customer Relations Representatives use this system to analyze the Bank’s clients in order to offer products, services and solution alternatives based on the business goals and market positioning of SMEs. In addition, the Bank maintains its SME-specific service approach with packages developed for the unique needs of each sector.

Halkbank delivers SME-specific services with its extensive branch network and nearly two thousand SME customer representatives. Halkbank also serves its SME clients on a 24/7 basis through www.halkbankkobi.com.tr and KOBİ Dialog.

In 2013, Halkbank lending to SMEs constituted 36.8% of its total cash loans. Halkbank boasts about 1.2 million small and medium enterprise clients.



**1.2
million**

Approximate
Number of
Halkbank's SME
customers



36.8%

The percentage of
the SME loans in the
cash loans

Review of Operations in 2013

The pioneer of SME Banking and an all around trailblazing bank, Halkbank unveiled the Unlicensed Electricity Generation Support Loan as another first in the industry.

KENDİ ENERJİSİNİ ÜRETMEYİ HEDEFLEYEN
KOBİ'LERE MÜJDE!

Yenilenebilir enerji kaynaklarından yararlanarak elektrik üretmek için Halkbank'a gelin.
Lisanssız Elektrik Üretimi Destek Kredisi'nden faydalanın.
Prosedürsüz, faturasız, bedava ve temiz enerjiye sahip olun.
Üstelik, uzun vadelerde cazip faiz oranlarıyla...

HALKBANK
www.halkbank.com.tr / 444 0 401 KOBİ Dialog
Ünvan: Türkiye İhtis Bankası

NEW PRODUCTS AND SERVICES

Halkbank Secured Check - Bank-Secured Checkbook for SMEs

Halkbank bolstered its Bank-Secured Product Lineup with a new offering. The Halkbank Secured Check, the new checking product that will change the payment practices of small enterprises, was launched for SME clients in 2013. Halkbank Secured Check has all of the features of the regular checkbook, but also guarantees payment of the entire amount printed on the check even if the customer does not have a sufficient balance in the account.

Unlicensed Electricity Generation Support Loan - A First in the Industry!

The pioneer of SME Banking and an all around trailblazing bank, Halkbank unveiled the Unlicensed Electricity Generation Support Loan as another first in the industry. The Unlicensed Electricity Generation Support Loan product was designed for SMEs to generate their own electrical energy without having to deal with procedural and licensing burdens. This unique loan is made available to businesses that opt to generate their own electricity from renewable energy sources (wind, solar, hydro) or via micro-cogeneration systems.

Complimentary Energy Efficiency Audit Support for SMEs

Halkbank aims to raise awareness among SMEs that the easiest way to save on energy costs is through conservation and meet their financing needs with suitable credit facilities. As part of this effort, the Bank continues to offer the Energy Efficiency Loan and Renewable Energy Loan. Under an agreement entered into on this subject, Halkbank provides complimentary advisory services to companies that take out energy efficiency loans via a specialist firm authorized by the General Directorate of Renewable Energy of Turkey (YEGM).



KOBİ'lere Hayat

KOBİ'nin patronları güvence altında!

Firma sahiplerine/ortaklarına özel tasarlanan KOBİ'lere Hayat Sigortası ile vefat ve daimi maluliyet durumlarına karşı hayatınızı güvence altına alıyoruz.

Export Support Package

Halkbank extends its full support to exporters in conjunction with the 2023 Export Drive. The Bank developed the Export Support Package to assist SMEs in all of their business processes, from manufacturing to marketing, in order for these enterprises to successfully adapt to global competition, expand into overseas markets and establish a presence in these markets. This all-inclusive package encompasses technology, and machinery & equipment needs, expo participation loans to venture into overseas markets, forward and option products to hedge against fluctuations in foreign exchange rates, and Eximbank-sourced credit facilities. In addition to the Export Support Package, the Bank extends access to credit to exporters at favorable terms and conditions under an agreement entered into with the Turkish Exporters Assembly (TİM).

Medical Loan Package

Halkbank introduced the easy-to-use Medical Loan Package developed specially for physicians, dentists and pharmacists. Customers who use

the Medical Loan Package are provided with additional benefits such as discounted banking transactions and fee exemptions. The package offers seasonal repayment options based on the cash flow of the borrower as well as the advantage of not having to make any loan payments in certain seasons.

Life Insurance for SMEs

Halkbank teamed up with its subsidiary Halk Hayat ve Emeklilik A.Ş. to develop the Life Insurance for SMEs product for small and medium enterprise segment clients. This product insures SME and tradesman business owners against death and permanent disability within predetermined coverage limits.

SME Tradesmen Pension Plan

Under the partnership with its subsidiary Halk Hayat ve Emeklilik A.Ş., Halkbank designed the SME Tradesmen Pension Plan exclusively for SME and tradesman clients. This plan is intended as a secure way for customers in the SME segment to invest their savings.

Review of Operations in 2013



POS Workplace Support Package

Halkbank's POS Workplace Support Package offers a multitude of advantages including elimination of the risks associated with storing cash in workplace cash registers and transporting cash; effective cash management; automatic transfer of payments made by credit card into bank accounts; and operational convenience.

In addition to offering specially designed financial products, Halkbank also provides advisory services as well as complimentary training to SMEs in order to broaden their horizons. The following can be found on the Halkbank SME website:



SME Website

(www.halkbankkobi.com.tr)

Halkbank revamped its SME-dedicated website (www.halkbankkobi.com.tr) in order to better serve tradesmen and SMEs, provide comprehensive informational resources and other support, bring these key client groups together on a single platform, and offer one-stop shopping for all their resource needs. Featuring SME-specific products and services, the website also allows customers to apply for certain products easily via the "Apply Now" section.

- "Ask an Expert" is a platform where small and medium enterprises can obtain complimentary information on matters of interest. Open to all SMEs, whether a Halkbank customer or not, this platform provides advisory services to these enterprises on a wide variety of subjects, from foreign trade and financial management to tax and legal issues.
- "Roadmap for Growth Oriented SMEs" offers complimentary advisory services on balance sheet checkups, investment feasibility and energy efficiency.

- "Halkbank SME Academy Platform" continues to provide training programs designed for small and medium enterprises. Offering equal opportunity to all SMEs by using technology-based training, the platform serves as a guide for small and medium business users. All training via SME Academy is provided free of charge. The platform encompasses a large number of training topics, from basic foreign trade concepts for entrepreneurs and sales and marketing methods to legal information for SMEs and key financial terminology.

Halkbank, KOSGEB (Small and Medium Enterprise Development Organization) and the Credit Guarantee Fund of Turkey (KGF) signed the **“Project Finance Credit Program Agreement”** to bolster the capital of SMEs, enhance their competitiveness and facilitate their access to credit in order to increase the share that small and medium enterprises contribute to the country’s economic and social development.

KOSGEB Support Programs Loans and Joint Venture Support Package Loan

Halkbank, KOSGEB (Small and Medium Enterprises Development Organization) and the Credit Guarantee Fund of Turkey (KGF) signed the “Project Finance Credit Program Agreement” to bolster the capital of SMEs, enhance their competitiveness and facilitate their access to credit in order to increase the share that small and medium enterprises contribute to the country’s economic and social development. Two new credit products were rolled out for SMEs as a result of this agreement.

- **KOSGEB Support Programs Loans:**

As part of the KOSGEB Support Programs Loans product, Halkbank makes available investment and working capital loans to businesses that either are recipients of KOSGEB Support Programs administered by KOSGEB exclusively for SMEs, or have qualified for these programs and are officially registered with KOSGEB Service Centers.

- **Joint Venture Support Package Loan:**

Halkbank offers the Joint Venture Support Package Loan to meet the working capital and investment loan needs of small and medium size enterprises joining forces under the cooperating-leaguuing approach. These SMEs must be either recipients of the KOSGEB Cooperating-Leaguuing Support Program with their joint supply procurement, joint marketing, joint laboratory, joint manufacturing or service provision projects, or must have qualified for these programs and are officially registered with KOSGEB Service Centers.

KOSGEB Reyhanlı District Emergency Support Loan

KOSGEB and Halkbank signed the “KOSGEB Reyhanlı District Emergency Support Loan” agreement to provide financing support to businesses in the Reyhanlı district of Hatay province under favorable terms and conditions where the entirety of the loan’s interest is paid by KOSGEB.

Review of Operations in 2013

Halkbank **continues to provide support to SMEs** via its cooperation with various industry bodies.

COOPERATION WITH INDUSTRY BODIES

Halkbank believes that lending to SMEs constitutes an investment in industrial growth, rising exports, economic development and the future of Turkey. As part of its commitment, the Bank continues to participate in every partnership that serves the interest of small and medium enterprises.

Cooperation with Chambers of Commerce and Industry

Focused on forging close ties with trade bodies under its support to the real economy, Halkbank is the first and only bank that makes available the resources of Chambers of Commerce and Industry as loans to chamber members under attractive terms and conditions. As such, the Bank continued to support SMEs via Chamber agreements in 2013.

Cooperation with Development Agencies

Halkbank was the first Turkish bank to cooperate with development agencies in order to assist in regional economic and social development. The Bank carries out the cash transfers to the owners of the projects that were submitted to the SME Financial Support Program and that qualify for financial support under the Bank's agreements with development agencies. The Bank also offers the Development Agency Co-financing Loan to qualifying businesses.

Cooperation with Organized Industrial Zones - SMEs Grow by Clustering

Halkbank lends its full support to encourage businesses to cluster and cooperate in Turkey's Organized Industrial Zones (OIZ). The "Industrial Zones Support Package," a loan package exclusively for OIZs, encourages the clustering by enterprises engaged in the same industry. Halkbank also makes this package available to help the firms that operate in Organized Industrial Zones, Small Industry Areas and other industrial sites, or that plan to undertake new investments in industrial zones to develop their businesses, gain a competitive edge, create new employment

BTSO ve HALKBANK'tan
KOBİ'lere tam destek!

Üretimi ve istihdamı desteklemek amacıyla
KOBİ'lere çok özel Destek Kredisi.
> Aylık %0.5, yıllık %6.0 faiz
> 12 aya varan vadelere

Yıl	Özellik	Yatırım	Yatırım	Yatırım	Yatırım	Yatırım	Yatırım
2013	1,124	142	1,923	1,105	1,000	1,000	1,000

BTSO
Büyük Sanayi ve Ticaret Bakanlığı

HALKBANK
Çevresel Türkiye'nin Bankası



opportunities, operate in a more favorable environment and increase productivity.

Cooperation with International Financial Institutions - New Funding Facilities for SMEs

Halkbank cooperates with international financial institutions such as the European Investment Bank, World Bank, French Development Agency, and Council of Europe Development Bank to provide mid and long term finance for the investment and working capital needs of SMEs.

Halkbank continued to execute overseas-sourced credit finance agreements to increase low-cost funding and longer-term facilities for small and medium enterprises. As part of this effort, the Bank inked the € 100 million "Innovative Business Investment Credit" agreement with the European Investment Bank in 2013 in order to extend financing to the R&D and innovation related initiatives of SMEs.

Supporting Women Entrepreneurs

Halkbank offers the "First Step for Women Entrepreneurs Loan" product to encourage entrepreneurship, boost employment and support the participation of female entrepreneurs in the economy. The Bank continued to support women entrepreneurs by providing finance, advisory and training services.

Applied Entrepreneurship Training for Women Entrepreneurs

Halkbank's another step is to renew its Applied Entrepreneurship Training agreement with KOSGEB (Small and Medium Enterprise

Development Organization) as another way to continue providing support to the real economy. As part of this training program, which has already reached 800 entrepreneurs in 17 provinces to date, the Bank will focus on women entrepreneurs. The Bank aims to reach 1,000 female entrepreneurs in 20 provinces under the program. The financial support that will be provided to those women entrepreneurs who successfully complete the training curriculum will help them start their own businesses.

Participation in International Women Entrepreneurs Forum

The International Women Entrepreneurs Forum (IWEF), where successful female entrepreneurs from 81 countries come together to share their experiences with fellow participants, was held on May 2-4, 2013. Halkbank promoted its products designed exclusively for female entrepreneurs at its own stand during the forum.

Productive Turkey Get-togethers Continued in 2013

Productive SME meetings are organized in provinces where small and medium businesses operate in large numbers and competition is fierce. In addition to promoting the Bank's products and services for SMEs, economists who attend these meetings speak about relevant topics on the national agenda, the latest economic indicators, regional and industry-specific challenges, and the advantages and disadvantages that the region poses for these enterprises. As part of this series, a Productive Turkey Get-together was held in Konya in 2013.

Review of Operations in 2013

Halkbank continued to serve the funding needs of **tradesmen and craftsmen** by offering the most attractive terms and conditions in 2013.



ARTISANS BANKING

In keeping with its founding mission, Halkbank continues to meet the financing needs of tradesmen and artisans, a key economic segment, by offering the most favorable terms and providing effective, high-quality banking services.

Support for artisans and tradesmen

The Bank aims to continue its support for artisans and tradesmen to offer fast and effective solutions for the financial needs of this segment using the latest technology.

Treasury-sponsored loans

Halkbank's Treasury-sponsored loans for artisans and tradesmen are offered with attractive interest rates and terms; the loans are also guaranteed by the 963 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK). These are available to other artisans and tradesmen without a cooperative's guarantee when there is no cooperative present in the region.

Halkbank offers Treasury-sponsored working capital loans to artisans and tradesmen with monthly, quarterly and semiannual payment options up to a five-year term. The Bank also offers investment loan and letter of guarantee loan products to purchase businesses, commercial vehicles, machinery/equipment and fixtures with monthly and quarterly repayment options up to a five-year term.

Pursuant to the 2013 Council of Ministers Decree regarding Treasury-sponsored loans extended to craftsmen and tradesmen by Halkbank, the practice of the variable Treasury support ratio based on the loan amount was terminated. In its place, the Treasury support ratio was set at 50% for all loans carrying over to 2013 as well as loans originating between January 1, 2013 and December 31, 2013. As of



286

thousand

Number of tradesmen and
artisans using loans



9.6

TRY billion

Total amount of
Treasury supported
loans used by the
tradesmen and
artisans



38.9%

Increase in the loans
used by tradesmen
and artisans

Review of Operations in 2013

**ESNAF VE
SANATKARA
DESTEK
BÖYLE
OLUR!**

İşte Halkbank'tan esnaf ve sanatkara gerçek destek!
Şimdi Türkiye'nin ilk yıllık %4'ten başlayan faiz oranı ve 5 yıla varan vadeli işletme ve yatırım kredileriyle bereketinize bereket katmanın tam zamanı! Size en yakın Halkbank şubesine ya da Esnaf Sanatkarlar Kredi ve Kefalet Kooperatifine uğrayın, alın terinizin değerini bilenlerle işlerinizi canlandırın!

*Halkbank Esnaf ve Sanatkar Destek Kredisi'nin yıllık %4 faiz oranı, 1 yıla kadar vadeli işletme ve yatırım kredisi kullandırımlarında geçerlidir. Halkbank koşullarda değişiklik yapma hakkını saklı tutar.

**KOBİ'LER
HOBİMİZ DEĞİL
İŞİMİZ!**

HALKBANK

**TÜRKİYE
2019
FIFA**

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Üreten Türkiye'nin Bankası

www.halkbank.com.tr / 444 0 401 KOBİ Dialog

May 1, 2013, the interest rate was reduced from 10% to 8% for Treasury-sponsored loans up to one year and from 12% to 10% for loans with a term of longer than one year. As a result, the net interest rate paid by tradesmen ranges from only 4% to 5%.

In addition, Treasury-sponsored loans for tradesmen and craftsmen are exempt from the banking and insurance transaction tax (BSMV)*, stamp duty, and resource utilization support fund tax (KKDF).

Craftsmen and Tradesmen Borrowers Increased to 286,123

Treasury-sponsored loans to tradesmen and craftsmen increased by 38.9% to TRY 9,617 million as of year-end 2013, up from TRY 6,926 million a year earlier; meanwhile, the number of craftsmen and tradesmen Halkbank extended loans to rose to 286,123. Halkbank's direct lending without ESKKK loan guarantees totaled TRY 282.3 million while investment loans amounted to TRY 105 million as of year-end 2013.

The maximum working capital loan amount that can be extended to individuals who are ESKKK partners under the Treasury-sponsored lending program, based on the risk groups of the participating cooperatives, remained in the TRY 40,000 -TRY 125,000 range during the year. However, the upper limit of investment loans was raised from TRY 250,000 to TRY 300,000.

The maximum loan amount that can be extended to individuals under the Treasury-sponsored direct lending program, based on the risk group of the customer, was revised to the TRY 80,000 - TRY 125,000 range as of May 30, 2013.

In addition to the "Tradesman Emergency Support Insurance" product that the Bank launched for tradesman and craftsmen clients in 2012, Halkbank introduced "Tradesman's Workplace Insurance" on September 19, 2013 as a new product to insure against such risks as fire, earthquake, theft, terrorism and flooding.

The Bank developed content specifically for tradesmen and craftsmen on the Halkbank SME website, to better serve bank customers and to reach out to potential clients directly. Tradesmen and craftsmen can apply for Treasury-sponsored loans by following the related menu options on the Bank's website.

Halkbank designed its Supply Procurement Pooling System (OTS) Project to be a new sales channel to meet the unique needs of tradesman and craftsman clients for commercial vehicle and merchandise purchases under attractive prices and conditions. The system went live on December 9, 2013 on the Halkbank SME website. The new system brings together the tradesman-supplier-Bank triangle to form a stronger, unified structure; tradesmen and craftsmen make purchases at attractive prices and save time while suppliers lower their marketing costs. In the initial phase, Halkbank is offering discounted special OTS pricing to its tradesman and craftsman customers on Renault and Dacia brand vehicles in partnership with Renault Mais.

Halkbank administers the "Tradesmen and Craftsmen Incentive and Support System (ESDES)" program in cooperation with the Ministry of Customs and Trade and Çankaya University. At the meetings conducted for various occupational segments as part of this initiative, Halkbank representatives were present and they promoted the Bank's lending and support facilities to attendees.

*Only manufacturing companies are exempt from the BSMV in Treasury-sponsored direct loans.

Review of Operations in 2013

Halkbank's total retail loan portfolio climbed to TRY 23.2 billion in 2013, up 31.3% and the share of retail loans in the Bank's overall portfolio rose to 27.4%.

RETAIL BANKING

Halkbank continued to grow its retail banking business line in 2013 by using creative marketing approaches for diversified customer segments.

Despite the fiercely competitive retail market environment, Halkbank's total retail loan portfolio climbed to TRY 23.2 billion in 2013, up 31.3%, thanks in part to the Bank's extensive service network, high service quality and superior customer satisfaction. Meanwhile, the share of retail loans in the Bank's overall loan portfolio rose to 27.4%.

Retail Loans Differentiated Based on Need

Halkbank's consumer loan portfolio, which includes general-purpose, car and mortgage loans, grew 27.6% to TRY 20.8 billion in 2013. Mortgage and general-purpose loans are the growth drivers in the Bank's retail loan portfolio.

Strong growth performance in mortgage loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to its broad product range, flexible repayment options customized for each customer, and its attractive promotional campaigns.

With its differentiated solutions that meet the needs of construction companies engaged in homebuilding as well as retail homebuyers, Halkbank had a stellar year in housing project financing. The Bank participated in nearly 80 branded housing development projects in Istanbul and other large metropolitan areas.





100.8

TRY billion

Total deposits reached TRY 100.8 billion increasing by 26%.



23.2

TRY billion

Total personal loans reached TRY 23.2 billion increasing by 31.3%.



86%

86% of the Banking transactions were carried out on ADC (Alternative Distribution Channels).



750

thousand

Number of active customers in the internet banking reached 750 thousand increasing by 27%.

Review of Operations in 2013

Innovative, Pioneering and Diversified General-purpose Loans

Halkbank closely monitored customer needs and expectations, as well as the changing legal and regulatory environment, implemented promotional campaigns, and launched new cash loan products.

Thanks to products and promotional campaigns that offered a wide range of options such as no-interest, low-interest, no-fee and deferred payment loans, Halkbank's general-purpose loans were up 20.1% to TRY 11.6 billion for the year.

Implementing ready loan promotional campaigns through its campaign management system, the Bank took a proactive approach to meeting customer needs.

A participant in the discount promotional campaign held by the Housing Development Administration of Turkey (TOKI), Halkbank became one of the largest originators of home and commercial housing loans for TOKI.

Halkbank continued to expand its differentiated products and services in 2013.

- As part of the marketing efforts for general-purpose loans, in addition to the regular monthly promotions, the Bank conducted mass-market promotional campaigns, as well as special campaigns targeting specific occupational groups, such as "Doctors' Day" for the healthcare sector and "Loan 155" for law enforcement personnel in 2013.
- Standing by prospective homeowners with the "My Sweet Home" concept, Halkbank provided customers attractive terms and conditions along with superior service.
- Flashing "Green Light" to everyone looking to purchase a car with budget-friendly payment

Halkbank aims to increase Paraf's market share by offering **innovative and competitive credit card products.**

terms, Halkbank developed its new car loan product around this novel concept.

- Designed exclusively for employees of state enterprises whose salaries are direct-deposited into their Halkbank accounts, the "Advance Promotion Loan" allows public sector personnel who are usually paid their promotion earnings in monthly installments to receive this amount lump sum as a loan; the loan payments are deducted directly out of their monthly promotion imbursements.

Need-based Solutions for Urban Transformation Projects

Halkbank developed the Urban Transformation Housing and Office Construction Loan product to meet customer needs arising from Law on the Transformation of Areas under Disaster Risk, in order to finance the construction of new residential or office buildings to replace substandard existing structures. The government also provides interest support to these customers. In addition, Halkbank offers a special mortgage loan product for residents in high-risk structures, homeowners or tenants, so they might buy a home in a safe building.

Paraf.

Artan ParafPara

Harcadıkça kazandıran alışveriş bu Paraf'ta!

Paraf'tan benzersiz bir ayrıcalık daha!
Artan ParafPara ile harcamalarınız arttıkça
ekstra ParafPara kazanıyorsunuz. Siz dilediğinizde
alışveriş yaparken ParafPara'nızın katlanarak çoğalıyor.
Üstelik Paraf, bu ayrıcalığı tüm kullanıcılarına sunuyor.

Buyurun, ayrıcalıklar bu Paraf'ta!

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Ayrıntılı bilgi için: www.parafcard.com.tr • 444 0 400 Halkbank Dialog

Paraf Era in Credit Cards

At the expiration of its program partnership cooperation with HSBC in December 2012, Halkbank launched its new credit card brand Paraf with the slogan, "Paraf: Home of Benefits" in order to boost its credit card business.

Beginning to carve out its niche in the market with the slogan, "Paraf: Home of Benefits," Paraf aims to offer customer innovative and competitive products worthy of its tagline while increasing its market share.

Paraf is the first credit card brand in Turkey to allow cardholders to pick a specific day of the month as their own personal campaign day. On the selected day, customers can take advantage of one or more of the options offered, such as additional discount, installment, rewards points or deferred payment.

Review of Operations in 2013



As a pioneering service in Turkey, Paraf Gold and Paraf Platinum offer cardholders discounts at all domestic and overseas restaurants on Saturdays.

Paraf cardholders can earn discounts for each day they pay their credit card bill before the due date after their statement closing date. With this pioneering feature that will undoubtedly impact the competitive environment, Halkbank aims to increase the customer satisfaction level of credit cardholders.

As part of the Increasing ParafPara (ParafMoney) feature, Paraf Klasik, Gold and Platinum cardholders can earn rewards points up to twice their total monthly spending.

Halkbank added to the long list Paraf's "firsts" and partnered with ISPAK, a subsidiary company of the Istanbul Metropolitan



Municipality, to offer a free car parking benefit; Paraf cardholders can now also use ISPAK's parking lots and multi-storey parking garages free of charge during the month.

After introducing Paraf, Halkbank launched Parafly, a credit card brand designed specifically for travel charges, with the slogan "Fly All You Can" in June 2013.

The ParafPara (ParafCash) balances of Parafly cardholders can be used for a multiple of the face value, where the amount of the multiple applied depends on the type of service, for charges made through the dedicated Travel Line for the exclusive use of cardholders. Thanks to the Katlı ParafPara (ParafCash Multiplied) feature that offers the highest multiple in the industry, ParafPara balances are multiplied by four for all flight and accommodation spending, and by five for all



cruise, car rental, bus travel and tour package charges. Avans ParafPara (Advance ParafCash) is also available when ParafPara balances are insufficient for the desired service.

Introducing a significant number of trailblazing practices in the credit cards sector, Parafly offers many benefits to cardholders. The Lounge Everywhere product, introduced the sector by our bank, gives Paraf Platinum and Parafly Platinum customers a TRY 50 discount on their restaurant expenses at both domestic and overseas airports on days they have a flight.

Parafly users have access to a wide variety of privileged travel related benefits such as Lounge Everywhere, My Paraf Day, and Early Payment Discount and other benefits such as complimentary and International Travel and Personal Accident Insurance, Discounted Shuttle, Travel Assistance and Concierge services. Cardholders can also avail themselves of complimentary lounge service at the Domestic and International Terminals of Atatürk Airport and Esenboğa Airport as well as installment payments for their overseas spending.

In 2012, the General Directorate of Highways terminated the Card Pass System (KGS) on

Turkey's bridges and highways and launched Electronic Toll Collection (HGS). Subsequently, Halkbank began offering complimentary HGS stickers to its customers. Bank customers can make automatic payments to their HGS stickers with an auto pay order on their Halkbank credit cards. This allows customers to make payments until the payment due date indicated on the statement without incurring any interest charges or fees.

86% of Banking Transactions Performed through ADCs

Halkbank used non-branch delivery channels intensively in 2013 in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients. During the reporting year, 86% of the Bank's banking transactions were performed through alternative delivery channels (ADCs). Halkbank continually undertakes efforts to improve and expand its alternative delivery channels, which save time and reduce costs for both customers and the Bank alike. In 2014, Halkbank plans to further increase the percentage of transactions performed through alternative delivery channels while launching new services to improve Halkbank's service quality, accelerate new customer acquisition, and increase the loyalty of existing customers.

Review of Operations in 2013



Intensive sales and marketing activities through ADC's continue

Halkbank also used ADCs intensively for sales and client activation initiatives. During the reporting year, the Bank's activities in these areas included welcome calls for new salary direct-deposit customers; activations for inactive ADC clients; credit card recovery, returned card, credit card and overdraft account limit monitoring; contact information updating; pre-approved loan/card product offers; automatic bill payment instruction offers; deposit-related information; canalization activities and insurance sales.

For the first time in 2013, Halkbank initiated the overhaul its Home Insurance product. The Bank also carried out new sales initiatives along with the renewal of Critical Illness and Health Insurance policy products that launched in 2012. Efforts are underway for the sale and renewal of other Halkbank insurance products in 2014.

With the new Housing Development Administration of Turkey (TOKİ) hotline service launched as part of the Call Center, Halkbank started to send SMS notifications regarding

customer insurance policy renewals, real estate tax payment reminders, overdue installment payments and TOKİ line from pilot branches in 2013. The "TOKİ" option was added to the branch call response menu, connecting such calls directly to the Call Center. This initiative is scheduled to be deployed at all branches in early 2014.

Additionally, Halkbank made intensive use of SMS and e-mail channels for mass campaign announcements.

The Number of Active Customer Using the Call Center Increased 38% in 2013

- The Call Center's inbound call volume rose by 60% in 2013 compared to the previous year while transaction volume handled by the Department was up 58%. In 2013, 2.4 million outbound calls were placed through the "Automated Outbound Calling Platform," which was launched to provide proactive services and increase the Bank's outbound calling capability. Moreover, nearly 8 million outbound calls were placed on behalf of Halkbank to inform customers, sell and market Bank products and services using both in-house and external resources.

With the addition of
407 new ATMs,
Halkbank's automated
teller machine network
grew 16% and **reached
2,961 ATMs in 2013.**

- The POS Support service, formerly provided by Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş., began to be carried out by the Call Center in April 2013. As of December 2013, the Bank's Call Center began providing service to TOKİ customers through a dedicated phone number.
- In keeping with the rising inbound and outbound call volume, the number of personnel employed at the Halkbank Call Center increased 66% during the year.
- Halkbank undertook initiatives to modernize the Call Center infrastructure and overhaul the outbound calling platform in 2013. Other infrastructure projects related to inbound calls, e-mail, fax, web chat messaging and social media inputs is still ongoing.

Halkbank's active internet banking customer base soared 27% to 750 thousand users during the year.

Halkbank unveiled an SME portal for small and medium business customers and launched <http://parafly.com.tr> to promote Parafly products and campaigns. The culture & art portal <https://kultursanat.halkbank.com.tr/> as well as the Bank's sports portal <http://www.halkbankspor.org.tr> were revamped and made

compatible with mobile devices.

The Bank started to use Mobile Marketing SMS messaging with target locations and the Internet Branch began to serve clients in the English language. The one-time-password (OTP) application "Şifrebaz Cep" was made available on iOS and Android platforms, in addition to Java.

Halkbank carried out a large number of initiatives to increase transaction diversity. The Bank presented customers the opportunity to review the outcome of their credit card applications through the Internet Branch; in addition, legal entity clients were enabled to use the Internet Branch with the "autonomous organization" user option. Halkbank also implemented the Secure SME project during the year.

ATM network expansion continues in 2013

With the addition of 407 new ATMs, the Bank's automated teller machine network grew 16% and reached 2,961 ATMs in 2013.

During the reporting year, the annual transaction volume performed on the Bank's ATMs increased 17% to 252 million transactions; in addition, the network's total annual transaction turnover was up 31% to TRY 55 billion. With the newly installed and replaced ATMs, the number of Cash-Deposit ATMs reached 2,019, a 23% increase.

In order to enhance urban landscape aesthetics while expanding its ATM network, Halkbank enhanced 37 taxi stands with ATMs while working in conjunction with local municipalities. The Bank's Mobile Collection and Payment Desks in the form of buses and minibuses also commenced service. As part of its efforts to improve banking access for those with disabilities, the Bank expanded its handicapped-friendly ATM network to 184 ATMs.

Review of Operations in 2013



Halkbank's total deposits increased 26% and reached TRY 100.8 billion. Turkish lira-denominated deposits grew 20.4% while foreign currency deposits were up 37.7% during the year.

A healthy, wide-spread deposit base

Halkbank has adopted a dynamic deposit management strategy based on optimization of cost, market share, liquidity and non-deposit resource facilities. The Bank offers services to the mass market with deposit products developed in line with this strategy.

The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding foundation, is based on the key principles of cost, market share and liquidity. Expecting deposits to remain a very important source of funding in the coming year, Halkbank plans to continue to maintain a customer-oriented, stable, and broad-based deposit structure.

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. The Bank continued to offer the Fixed-Rate Productive Deposit Account, Flexible Term Deposit, and Mutual Fund & Deposit Account products during the year. Halkbank's primary goals in this segment include growing faster than the industry average in savings deposits and achieving growth in deposit products in a highly competitive market. Additionally, due to the deposit reserve requirements, differentiating according maturity lengthening the average maturity of deposits continued to be a significant issue for the Bank. However, Halkbank sustained its strong and widespread deposit volume as well as the maturity composition of its deposits.

Halkbank's total deposits increased 26% and reached TRY 100.8 billion.

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Total demand deposits increased 16.9% in comparison to 2012 and reached TRY 18.7 billion while the share of demand deposits in total deposits stood at 18.6% .

Technology-aided CRM applications

Placing a major emphasis on the use of technology, Halkbank launched various projects featuring technology-aided customer relationship management applications and completed ongoing infrastructure initiatives in 2013.

Contracted companies in cash management rose 19% to 893, up from 749

Thanks to its effective technology-assisted CRM applications, Halkbank entered into significant number of new cash management agreements with many customers in 2013. The number of contracted companies in cash management rose 19% during the year, from 749 to 893. Halkbank's Direct Debit System (DDS) customer portfolio increased 30.9%, while the Bank's DDS dealer network was up 20.6%. In 2013, the Bank also raised its DDS commission income by 38%.

Halkbank Cash Management Portal commenced service for cash management products that require integration with the Bank's system (e.g. Direct Debit System, Company Collections, Bulk EFT/ Money Transfers, Automatic Check/Bill Collection) to be usable without the need for any intermediary third-party software implementations.

KREDİ Tutarı	KREDİ Süresi	FAİZ Oranı	ÖZEL İZİN	TELEFON İZİNİ
10.000 TL	12 AY	%0,75	%0,75	%0,75
20.000 TL	24 AY	%0,75	%0,75	%0,75
30.000 TL	36 AY	%0,75	%0,75	%0,75
40.000 TL	48 AY	%0,75	%0,75	%0,75
50.000 TL	60 AY	%0,75	%0,75	%0,75

Özellikler: 1. Her ayın 15. gününe kadar başvuru yapılabilir. 2. Her ayın 15. gününe kadar çekim yapılabilir. 3. Her ayın 15. gününe kadar çekim yapılabilir. 4. Her ayın 15. gününe kadar çekim yapılabilir. 5. Her ayın 15. gününe kadar çekim yapılabilir. 6. Her ayın 15. gününe kadar çekim yapılabilir. 7. Her ayın 15. gününe kadar çekim yapılabilir. 8. Her ayın 15. gününe kadar çekim yapılabilir. 9. Her ayın 15. gününe kadar çekim yapılabilir. 10. Her ayın 15. gününe kadar çekim yapılabilir.

Halkbank logo and website information: www.halkbank.com.tr / Akl & Güç Bankası

Continued Growth in Salary Payment Services

Halkbank continued to grow its salary payment intermediation business and acquired new clients in 2013.

As of year-end 2013, 13,514 primary companies made salary payments through Halkbank to a total of 1,176 thousand recipients.

Retiree customers rose to 1.957 thousand

Emekli Sandığı (Retirement Fund) pensioners who receive pension payments under the agreement with SGK (Social Security Institution of Turkey) increased from 234,659 to 239,481 while the number of Bank's retiree clients are 1.957 thousand.

Review of Operations in 2013

Halkbank conducts
**an objective
assessment** of its
clients' creditworthiness
and strikes an effective
and competitive
balance between risk
and collateral.



HALKBANK'S LENDING POLICIES

In addition to the changes implemented to comply with the law, Halkbank updated implementation directives and other related regulations for its loan policies in accordance with the Bank's goals, strategies, risk appetite and prevailing economic conditions in 2013. The Bank also revised its standardized processes to be followed in evaluating loan applications in accordance with the segmentation criteria as well as loan assessment and evaluation.

Regarding the criteria set for determining the limits of the loan authority to be delegated to the branches, Halkbank regularly monitored and updated the limits as necessary based on measurable quarterly data in accordance with the Bank's risk appetite and strategies.

Halkbank made revisions and improvements in its product-based collateralization structure and risk coverage ratios of the collaterals for certain customer segments in the process of valuing securities and immovable assets taken as a lien against the loans during the borrowers' grace period as part of the Bank's credit assessment and rating modules. Consequently, Halkbank now conducts an objective assessment of its clients' creditworthiness and strikes a more effective and competitive balance between risk and collateral. Comprehensive analyses and development efforts of assessment and rating modules are also ongoing.

The Bank installed the rating modules developed for its subsidiaries Halk Finansal Kiralama A.Ş. and Halk Faktoring A.Ş. including all related infrastructure; finalized the operating instructions of the modules and delivered them to the subsidiaries; and completed the process by conducting training on using the modules.

Halkbank completed the efforts which would enable the demand and business flows of assessment reports used in evaluating loan applications to be processed on the system. Alongside this process, Halkbank also carried out the scanning of credit application documents into the system, their integration with the information module, and the system-based control of related unit adaptations. As a result, the Bank achieved cost savings due to the execution of the process in a paperless environment while the acceleration of the process and resulting time savings yielded a significant reduction in labor costs.

As a result of the new accounting standards and the alignment of the methods and implementations which will be used in the analysis of the financial statements to be prepared according to TFRS in full compliance with the IFRS; new charts of accounts were created within the scope of the revision that will be made on Bank rating systems. Furthermore, the process is still in progress.

Halkbank's loan portfolio management activities aimed to:

- Conduct loan pricing to facilitate a return commensurate with the risk assumed;
- Ensure adequate collateralization in accordance with the risk taken on;
- Attain the targeted regional and global market shares;
- Manage the Bank's credit products more effectively to enhance Halkbank's competitive edge;
- Develop credit and non-credit services and products that meet the needs of different customer segments in the most effective manner.

Review of Operations in 2013

Halkbank determined its management strategies **by following national/international macro-economic developments closely** throughout 2013.



TREASURY MANAGEMENT

2013 has been a year in which FED's monetary policies pressured the global markets. FED Chairman's announcements to reduce its bond purchases due to the accelerating economic activity in the USA caused global appetite for risk - amplified in the cheap and abundant liquidity environment - to decrease. With the increasing reactions of the global markets to the macro economic data announced in the USA, the strengthening perception pointing to the recovery of the world's largest economy caused the developed countries' stock markets, Wall Street in particular, end the year at the highest level. Thus, in parallel to the dropping unemployment figures in the USA to the FED's reference values, FED has decided to taper bond purchasing program in 2014.

Although signs of recovery can be seen in the Euro Zone, the fragility of the economic activity still continues. The unemployment figures in the region are still at the highest levels while the inflation rate is way below the European Central Bank's target. In line with these developments, European Central Bank is expected to continue its expansionary monetary policy.

Emerging market economies continued to be the main resource of growth even though they decelerated in 2013. Growth rates of the economies of the developing countries are expected to climb again according to the IMF's 2014 forecasts. On the other hand, uncertainty created as a result of the FED's tapering strategy caused the risks to become more obvious on the growth picture of the developing countries and their financial markets. Interests on borrowings considerably decreasing in the cheap and abundant liquidity environment in the developing countries started to climb up with the concerns on the FED's tapering the quantitative easing. At the same time, developing countries' currencies lost value because of the accelerating capital outflows.

In 2013 a balanced growth was achieved in Turkey's economy which completed the rebalancing phase in 2012. In terms of sustainability of growth; domestic demand's contribution on growth as a result of the recovering domestic demand conditions, and private sector investments' impact on growth turning into positive are important developments that came forward. Recovery in the economy was reflected positively into the budget and thus supported a higher performance above the targets of the Medium Term Program. Although strengthening domestic demand and increasing gold import raised the current deficit to some extent in 2013, the moderate progress of the current deficit seems to continue if the gold export figures are excluded in the calculation. On the other hand, rising food prices in 2013 had impacts on the inflation rate while the upward trend in FX in the second half of the year caused the inflation rate turn out to be 7.4% by the end of the year.

In 2013, Turkey's economy was rated "investment" by four international credit rating agencies. Where the expectations for rating increase was priced and with the support of the high global appetite for risk in the first half of the year capital flow into Turkey's economy occurred at the highest levels. However, decreasing capital flows into developing countries and capital flows out of the developing countries with the uncertainty created by the FED's monetary policy increased the pressure on the financial markets in Turkey.

Dynamic Treasury Management strategies

Within the framework of its risk/income oriented management approach, Halkbank determined its management strategies by watching national/international macro-economic developments closely throughout 2013. Capable of adapting itself to the changing economic conditions with the support of its strong capital and financial structure the Bank maintains its profitability and momentum of growth as a consequence of the dynamic policies it pursues.

Successfully maintaining the title of Turkish GDS Market Maker since 2003, Halkbank gave emphasis to issuing securities in 2013 with the aim of creating alternative resources and elongating the maturity structure of the existing resources. In this aspect, Halkbank diversified its resources by successfully issuing securities on national and international platforms.

Efficient liquidity management

Halkbank, performs balance sheet management, in the light of the Assets & Liabilities Committee's strategy decisions aligned by taking macro economic analyses, stress tests and risk management reports into consideration. In consequence of these market analyses, short term funding where provided by money market transactions needs successfully, fund surplus was efficiently utilized, while TRY and FX liquidity management was performed in the most efficient way possible by using various derivative tools and other debt instruments.

Customer oriented service in the FX and Commodity Markets

Halkbank improved itself in terms of products and technology in parallel to customer needs. Halkbank offers both income products and hedge products in the rapidly developing derivative markets in Turkey. Increasing its support through its products that will meet the import/export companies' need to defend themselves against the FX and interest rate risk in this period, Halkbank gives importance to service quality in this area.

The Bank continued to increase its volume and profitability especially in the FX and commodity markets by means of; the widespread branch network throughout Turkey, its wide customer portfolio composed of SME's in majority and its corporate scale customers. With the marketing strategies targeting its customer base Halkbank continued to be a competent player in the FX and commodity markets.

Review of Operations in 2013

In 2013, Halkbank **continued to grow its foreign trade finance volume** and became an even stronger and reliable institution internationally thanks to its expanding correspondent bank network.



INTERNATIONAL BANKING

Growing Correspondent Bank Network

Thanks to an ever-growing extensive branch network, specialized staff and customer-oriented approach, Halkbank continued to grow its foreign trade finance volume in 2013 and became an even stronger and more trusted bank internationally thanks to its expanding correspondent bank network.

Halkbank is a preferred business partner due to its deep-rooted know-how, strong relationship management strategies and excellent business potential.

Taking advantage of its extensive network of more than 2,000 correspondent banks in 144 countries, Halkbank provided support to its customers via structured finance products, alternative financing mechanisms and traditional foreign trade instruments.

Halkbank continued to establish new long-term correspondent relationships and take advantage of market opportunities in light of its forward-looking policies, needs and expectations while also developing products that will make a difference for its customers.

The Bank cooperated with a significant number of correspondent banks to offer medium- and long-term financing to clients that import capital goods from abroad, provided with insurance and guarantees from Export Credit Agencies.

Halkbank boasts one of the largest credit lines within the GSM-102 Program of the US Department of Agriculture and continued to make this facility available to customers that import agricultural products from the United States.

Effective Communication with Shareholders and Global Investors

Halkbank continued to regularly provide reliable and clear information to existing and potential investors and shareholders throughout 2013.

Raise your expectations!

With its globally competitive and sustainable profitability ratios, Halkbank is the choice of international corporate investors in Turkey.



www.halkbank.com.tr

HALKBANK

Productive Turkey's Bank

Halkbank met with investors, analysts and asset managers in individual and group meetings. The Bank also attended a large number of conferences and meetings in Turkey as well as overseas, especially in financial centers where international institutional investors are based.

In meetings held with investors, Halkbank discussed its financial and corporate governance structure, market position within the domestic

banking industry and internationally, corporate strategies, and expectations for the upcoming period.

Halkbank presented its financial results simultaneously to domestic and overseas investors via conference calls at the end of each quarter; the Bank addressed questions related to the financial results in detail as promptly as possible. In addition, Halkbank maintained open communications

Review of Operations in 2013

Halkbank continues to **provide alternative financing mechanisms to its customers** by securing funding resources from international capital markets.

channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding significant issues and developments in areas that could affect investment decisions.

A bank well known and demanded by institutional equity investors, Halkbank also began to be followed very closely by international bond investors after its Eurobond issue in January 2013. The Bank's bond issue was four and a half times oversubscribed due to great level of interest it attracted. Halkbank reached nearly 200 international bond investors and became acquainted with a new investor base thanks to its Eurobond issue.

Borrowings from international financial institutions

Halkbank continues to offer alternative funding facilities to customers by securing financing resources from international markets. As part of this effort in 2013, the Bank rolled over a syndicated loan of € 562 million and US\$ 259 million with the participation of 41 banks from 19 countries. With banks from Europe, the US and the Middle

East participating, the syndicated loan transaction featured broader participation compared to the previous year.

Halkbank continued to secure long-term funding facilities under dual agreements with international financial institutions (e.g. European Investment Bank, World Bank, French Development Agency, Council of Europe Development Bank, among others) to finance the investment and working capital needs of SMEs. The long-term nature of the overseas-sourced loans had a positive impact on the maturity composition of the Bank's balance sheet. Halkbank signed a € 100 million EIB Innovative Business Loan agreement, to be used in financing the working capital and investment needs of pioneering firms; the Bank also secured a € 50 million EIB Greater Anatolia SME-2 loan, under the EIB Greater Anatolia Program, from the European Investment Bank in order to extend financing to SME customers. In addition, Halkbank entered into a US\$ 67 million loan program with the World Bank to fund the energy efficiency investments of customers.

In 2013, Halkbank secured a total of US\$ 2 billion in resources from international financial institutions.

In order to further diversify its long-term foreign funding sources, Halkbank placed its second Eurobond issue denominated in US dollars. The Bank issued US\$ 750 million in bonds with a fixed interest rate and seven-year maturity. Priced to yield 4.057%, the bonds have a coupon rate of 3.875% and maturity date of February 5, 2020. As of the deal's closing date, Halkbank recorded the lowest borrowing costs in US dollar terms, with a fixed interest rate and a seven-year maturity, in Turkish banking industry.

The Bank offered refinancing and post-financing facilities for foreign trade transactions for its clients.

Halkbank obtained approximately US\$ 5.5 billion in resources from international financial institutions and international capital markets in 2013.

Halkbank **rolled over its syndicated loan** of € 562 million and US\$ 259 million with the participation of 41 banks from 19 countries in 2013.

Overseas Branches

Halkbank operates branches in the Turkish Republic of Northern Cyprus (TRNC) and in Bahrain. The Bank conducts its operations in TRNC via a four-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) and Paşaköy (Assia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. The TRNC branches are fully staffed and equipped with advanced technology to provide effective service for its clients in the country. The Northern Cyprus branches are included in Halkbank's performance system and monitored more closely, which resulted in more efficient and profitable operational results. Halkbank plans to increase its market share in TRNC by expanding the existing branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in Bahrain, the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to

Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region. This branch extends working capital, investment and syndicated loans to its clients.

Halkbank also initiated efforts in 2013 to establish a liaison office in London. Registration of the Türkiye Halk Bankası A.Ş. London Liaison Office was finalized on January 10, 2014.

The Bank's overseas subsidiaries and affiliates

Halk Banka A.D., Skopje

Halkbank is working to develop relationships in new foreign markets to support companies as they expand abroad. Joining the Halkbank family as a subsidiary in 2011 as a result of the Bank's aim to be present in alternative markets, Halk Banka A.D., Skopje continued to grow in 2012 by acquiring Ziraat Banka A.D., Skopje, another Turkish-owned bank in Macedonia. The Bank provides a full range of banking services to its retail and corporate customers. In line with its strategy to expand in other Balkan countries, Halk Banka A.D., Skopje opened a representative office in Serbia during the year.

Demir-Halk Bank (Nederland) N.V.

Established in the Netherlands in 1992 and 30%-owned by Halkbank, Demir-Halk Bank (Nederland) N.V. also conducts operations in Belgium, Germany and Turkey in addition to Holland. Offering a full range of banking services to its corporate and retail customers, the Bank was founded to serve Turkish companies and their partners in Western Europe.

Review of Operations in 2013

The Bank exceeded its centralized operations target for 2013, **with a centralization ratio of more than 90% for bulk transactions.**



OPERATIONS

As part of the efforts to centralize the Bank's operations, central operations business flows commenced in 14 separate business processes that were previously under the work load of the branches. In addition, the Operations Center went into full service with all of its human resources staff and equipment infrastructure. The Bank exceeded its centralized operations target for 2013, with a centralization ratio of more than 90% for bulk transactions.

Halkbank implemented additional numerical criteria to measure the quality of branch operations, monitored the operational service quality of branches closely, and commissioned independent service quality measurement studies such as secret customer surveys and phone-based post-service customer satisfaction surveys.

In 2013, Halkbank launched **Sustainable Banking and energy management initiatives**, measured its carbon footprint, and drafted a CDP (Carbon Disclosure Project) report.

Halkbank began providing custody service to those customers whose personal portfolios are under the discretionary management of the Bank's subsidiary Halk Portföy Yönetimi A.Ş.

The Bank initiated a project to upgrade its alarm and security camera systems with new technology to allow for central monitoring and more flexible/rapid response; raised the security infrastructure standards; and backed up all locations with a secondary security network communication via GPRS. Security risk criteria were defined for the Bank's locations and risk scores began to be calculated for each locality, region and for the overall Bank.

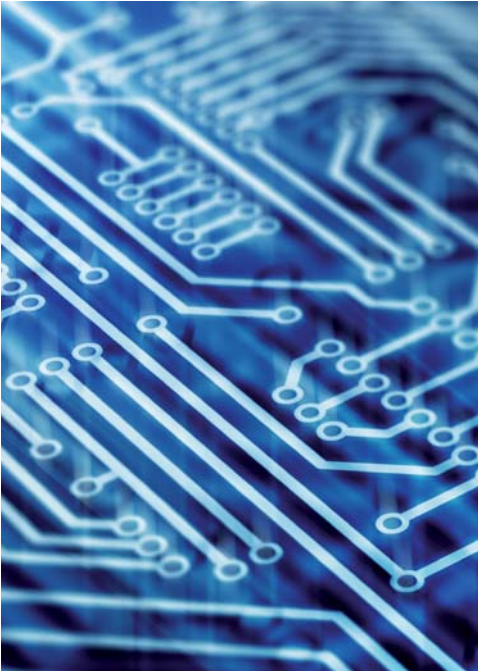
In 2013, Halkbank launched Sustainable Banking and energy management initiatives, measured its carbon footprint, and drafted a CDP (Carbon Disclosure Project) report.

The "Integrated Service Management" platform "OFFROAD," which was created to ensure effective management of the Bank's support services, commenced operations in May 2013.

After the launch of the platform, Halkbank began to execute the purchasing, vehicle/fleet management, personnel services management, technical services, electronic security, physical security, cleaning services, repair/maintenance services, materials/equipment procurement, and blue collar personnel performance evaluation processes through the business flow system. As a result, the Bank now has key performance indicators (KPI) for each and every support process in the system as well as a reporting and oversight infrastructure that allows for the monitoring of service level agreements (SLA).

Review of Operations in 2013

Halkbank continued to enrich its **advanced technology infrastructure** with new products and services launched in 2013.



INFORMATION SYSTEMS AND TECHNICAL SERVICES

Halkbank continued to enrich its advanced technology infrastructure with new products and services launched in 2013, while ranking among the industry's pioneers in effective deployment of new technology.

Halkbank Further Enhances Customer Satisfaction via New Products and Services

The Bank is currently upgrading the Call Center with next-generation technology in order to provide effective and personalized services to customers through a wider variety of channels including voice, instant messaging, video, electronic mail and social media. Thanks to the project that commenced service in 2013 with core functionality, not just Call Center customer service representatives but theoretically all Bank employees will be able to be part of the Call Center system in 2014.

The English language Internet Branch went into service during the year. In addition, the screens for customer service representatives serving foreign clients from the Call Center were switched to English.

The Bank implemented new high-performance infrastructure solutions to bolster the business intelligence environment where campaign management, data mining, analytical reporting and analyses are performed.

Halkbank Ranks among the Most Pioneering Banks in the Effective Deployment of New Technology

The Bank implemented software and hardware infrastructure upgrades that allow for the development of complex service models in both virtual and physical environments to be offered and quantified as an IT service through automation products using cloud technology.

Thanks to the virtualization solutions that have been implemented at Halkbank since 2008 and their ever-widespread use, applications with high license costs but low frequency of use are virtualized, resulting in greater flexibility, cost advantages and savings in labor costs for the Bank. To take advantage of the benefits of virtual platforms in the Bank's external services as well, Halkbank invested in Virtual Platform Security solutions; Corporate Portals, Corporate Connections, Corporate Data Transfer, Internet Branch, and Dialog Call Center applications were also virtualized. Consequently, the Bank was able to deploy additional resources rapidly during times of heavy use of these services, meeting all demands promptly and ensuring a high level of customer satisfaction.

Next generation firewalls were put in use for the network segmentation and access controls that protect and report the Bank's data communication originating from non-bank sources, including the internet, and provide a secure environment for communication with other companies. As a result, the Bank technologically revamped protection infrastructures of external-facing services; repositioned servers for critical services at the data center in separate protection zones; restricted access via more effective controls.

Halkbank copied the backup and archive data located in the Bank Data Center onto the Disaster Recovery Center, ensuring the availability of all production environment data on the Core Systems platform during a disaster scenario.

The Bank established an electronic certificate infrastructure for Financial Seal Electronic Signature function to be used pursuant to the requirements of the Tax Procedure Law. This will serve to safeguard the integrity, source and content of the data belonging to legal entities and other companies, organizations and businesses as well as ensure confidentiality in certain necessary cases.

Halkbank is Ready for the Future with Its Transformation Programs

Under the program to upgrade the "Software Development Infrastructure," the first phase of which has been completed, initiatives to attain a more effective and agile infrastructure supported by next generation technology are ongoing. Further, the Integrated Desktop Application that was rolled out in 2013 is helping Halkbank adapt solutions to increase the productivity of users on a large scale.

The new "Data Center" is planned as one of Halkbank's top priorities in 2014. The ongoing efforts to establish an efficient, secure and dynamic next-generation Data Center are expected to come to fruition in 2014.

Review of Operations in 2013

Halkbank's extensive branch network includes **872 branches in Turkey** (786 branches, 6 corporate branches, 37 commercial branches, 3 free-zone branches, 38 satellite branches and 2 special transaction centers), **25 regional offices, 5 overseas branches and 1 overseas representative office.**



HALKBANK'S EXTENSIVE BRANCH NETWORK

Halkbank continued to operate through Head Office units and extensive domestic and overseas branch network with a high-quality service approach in 2013.

Halkbank's extensive branch network includes 872 branches in Turkey (786 branches, 6 corporate branches, 37 commercial branches, 3 free-zone branches, 38 satellite branches and 2 special transaction centers), 25 regional offices, 5 overseas branches and 1 overseas representative office.

Operational Restructuring Projects

Corporate Content Management System Project (DUMAN)

Kurumsal İçerik Yönetim Sistemi Projesi'nin hedefi The Corporate Content Management System Project aims to transfer Halkbank's internal and external printed and electronic document traffic, fax messages and important e-mail to corporate content management; share these with users according to their defined levels of authority; and archive them. Another objective of the project is to create a paperless office environment within Halkbank.

Process Management Project (GENESIS)

The Bank initiated efforts to analyze and document processes and to undertake process simplification, development and improvement under the GENESIS Project. The project prioritizes the processes that are part of the Management Declaration pursuant to the regulations of the Banking Regulation and Supervision Agency of Turkey (BRSA).

HUMAN RESOURCES

Halkbank provides employees with continuous training, expansive career opportunities and modern work spaces while taking heed of employee satisfaction. To that end, the Bank has revised its human resources policies and has begun using systematic HR implementation processes.

Number of Halkbank Employees

787 new employees joined to the Halkbank family in 2013, resulting in total Bank personnel reached to 14,798. As of year-end 2013, the average job tenure of Halkbank employees stood at 10.4 years and the average of the staff was 34.2 years. , 80.7% have university undergraduate or post-graduate degrees and the remaining 19.3% are high school graduates of the Bank's personnel.

Career and (Self-Improvement) Days

Halkbank continued to engage in active dialogue with university students in 2013 with a dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. As part of these efforts, the Bank participated in the Career and (self-Improvement) Day events held at some universities during 2013.

Halk Academy

As of September 2009, Halkbank began conducting all of its training activities under the umbrella of Halk Academy. Thanks to its customer orientation as well as its well-planned systematic approach, the Bank received ISO 9001:2008 Quality Certification in 2011.

Halk Academy conducted 2,137 training sessions across 20 programs for the Bank's employees in 2013. , 48% were taught by in-house instructors while the remaining 52% were administered by external training firms/instructors of

Halkbank provides employees with **continuous training, expansive career opportunities** and modern work spaces while taking heed of employee satisfaction.

these trainings. The Academy held periodic assessment and informational activities through 55 meetings and conferences which were broad participated. In order to support in-class training in 2013, Halk Academy made an extensive e-learning catalogue available to employees; the catalogue consists of 300 training modules in technical banking, bank applications, personal and professional development, IT trainings, and quality standards.

Not limiting its training activities to the classroom, the Bank also began offering high-tech training methods, education simulations using e-learning, e-survey, e-testing, e-library applications through www.halkakademi.com.tr which launched with a refreshed user interface.

Halk Academy also organizes training activities for the Bank's subsidiaries, affiliates and SME customers in addition to Halkbank employees. The SME Training Platform, which was launched for SME customers with just four training categories in 2010, served some 2,750 members with an e-learning catalogue of 40 training modules as of end-2013.

Review of Operations in 2013

Halkbank provided ongoing support to the **arts and society-at-large with various sponsorships** in 2013.

PUBLICITY AND PUBLIC RELATIONS

Aşk-ı Nebi ve Zikir Taneleri Hilye-i Şerif and Rosary Exhibition

The Bank continued to provide support to the arts during the year by sponsoring the Aşk-ı Nebi ve Zikir Taneleri Hilye-i Şerif and Rosary Exhibition. Curated by Mehmet Çebi, the exhibition was held on January 26-31, 2013 at the Istanbul Lütfi Kırdar International Congress and Exhibition Hall. This event presented unique classical and modern works of calligraphy, the leading art form of the traditional Turkish-Islamic Arts, to art enthusiasts, raised awareness about calligraphy, supported artists, and informed exhibition-goers about the historical and contemporary applications of these arts.

Support Barış Manço Museum for the Love, Friendship and Peace Festival

The activities organized jointly with the Kadıköy Municipality during the Love, Friendship and Peace week celebrated between February 1 and February 8 were held at the Barış Manço Home, which was transformed into a museum with the support of Halkbank. As part of these events, the Bank sponsored approximately 125 children under the custody of Social Services and Child Protection Agency for their participation in the comic workshop.

Turkic American Convention

Halkbank was among the sponsors of the Turkic American Convention that was held in Washington, DC by the Turkic American Alliance (TAA) for the third time this year. The event served as an exchange of ideas platform on the topics of energy, trade and regional developments for leading policy makers from Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. The convention brought together major political and business figures from both the United States and the Turkic Republics.



Ankara International Film Festival

Halkbank provided sponsorship support to the "Ankara International Film Festival" for the fourth time this year.

Business Idea Competition

Halkbank sponsored the "From Idea to Action - Business Idea Competition," organized by Gazi University, for the first time this year. The competition serves to encourage technological innovation and entrepreneurship among academics and students, and to solidify the university's commitment to entrepreneurship.

FIFA U-20 World Cup

The "FIFA U-20 World Cup" is the second largest FIFA event after the World Cup organized by FIFA (Federation of International Football Associations) bi yearly since 1977 for players under the age of 20. FIFA U-20 is hosted by Turkey this year with the participation of 24 national teams in cooperation with the Turkish Football Federation, the event took place in the period of June 21 to July 13, 2013. Halkbank provided support to the tournament as a local sponsor.

1st Children and Media Congress in Turkey

Halkbank sponsored the 1st Children and Media Congress in Turkey, organized by the General Directorate of Press and Information, the Children's Foundation, and the Supreme Board of Radio and Television. Held on November 14-15, 2013 at Lütfi Kırdar Congress Hall, the purpose of the congress was to assess the children-media relationship from a broader, global and multidimensional perspective.

International Women Entrepreneurs Forum

The International Women Entrepreneurs Forum, bringing together women entrepreneurs from Turkey and abroad, took place on May 2-4, 2013 under the main sponsorship of Halkbank.

Puppet Theater

"Semaver Kumpanya Puppet Theater" performances were held at the Barış Manço - Museum House in Kadıköy on May 18-25-26 and June 1-2, 2013.

Istanbul Finance Summit

Halkbank was the main sponsor for the Istanbul Finance Summit, which was held on September 18-19, 2013 in Istanbul for the fourth time this year. The summit realized with the participation of major figures from the Turkish and international finance sector.

Ankara International Unobstructed Film Festival

The first Ankara International Unobstructed Film Festival, where all audiences, with or without disabilities, can watch films together, was held on September 4-8, 2013 under Halkbank's sponsorship. The film festival's screenings were enhanced with audio-description for sight-impaired audience members and with sign language and detailed subtitles for those hearing-impaired.

Turkish Volleyball Federation

Halkbank is the main sponsor for the games of the Men's National Team in Turkey and abroad.

Kırşehir Ahi Week Celebrations

The Ahi Week celebrations organized in Kırşehir by the Ministry of Customs and Trade, Directorate General for Craftsmen and Tradesmen were sponsored by Halkbank.

Productive Turkey Konya Meeting

This meeting, held in Konya, was attended by the representatives of 500 SMEs and served as a conduit to generate solutions for the financing and advisory needs of small and medium-sized enterprises.

Atlantic Council Energy & Economic Summit

Halkbank gave sponsorship support to the Energy & Economic Summit, which was organized under the coordination of the Atlantic Council with the participation of political and business leaders who shape the global energy and economic policies.

ADFIMI Development Forum 2013

Halkbank was the sponsor of the development forum namely "Managing the Risks: Lessons Learned from the Crisis" which was organized by the Association of National Development Financial Institutions in Member Countries of the Islamic Development Bank (ADFIMI).

Paraf Shop Development Workshop

Paraf and the Soysal Retailing School teamed up to conduct training sessions entitled "Paraf Shop Development Workshop" for store managers, the key personnel of the retail industry. The trainings served to improve the knowledge and skills base of retail store managers in modern management methods and were held on September 5, 19, 30, November 6 and December 3.

Review of Operations in 2013

OTHER INFORMATION ON OPERATIONS

There were no major lawsuits filed against Halkbank that can impact the Bank's financial position or operations.

There have not been any administrative or legal sanctions imposed on the Bank for practices in breach of applicable legal or regulatory provisions.

There have not been any administrative or legal sanctions imposed on the members of the Bank's Board of Directors for practices in breach of applicable legal or regulatory provisions.

Total charitable contributions and donations made by Halkbank in 2013 amounted to TRY 7.927,55, including the subsidiaries consolidated donations amounted to TRY 44.778,21.

Halkbank's Subsidiaries and Affiliates

Halkbank provides quick and effective services to its customers, with the **synergistic cooperation** among its subsidiaries and affiliates.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 21 companies that provide its customers with advanced banking services , products and services in other areas, as well.

In accordance with Halkbank's policy, regarding its subsidiaries and affiliates:

- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product provision and sales opportunities.
- Establish good relations with other enterprises and expand and continue existing relationships.
- Increase operational efficiency and reduce service production costs.
- Ensure the delivery of high-quality services needed by the Bank's clients.

Acting in accordance with this policy, Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

The IPO of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

The initial public offering of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was held in February 2013; the entire shares offered to the public, with a nominal value of TRY 185.5 million, was sold. 28% of the Company's outstanding shares

began trading on the "Corporate Products Market" under the "HLGYO" ticker symbol as of February 22, 2013.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. Became a Subsidiary

In order to increase the service quality of its credit card brand name Paraf and execute faster and more efficient operational processes, Halkbank acquired Ziraat Group's 76% stake in the share capital of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. Pursuant to the approval of the Turkish Competition Authority, the share acquisition deal closed on July 22, 2013 and with 100% stake share the Company became a wholly-owned subsidiary of the Bank.

Halk Yatırım Menkul Değerler A.Ş. to Establish Halk Invest Ltd. in London

Halk Yatırım Menkul Değerler A.Ş. resolved to establish a subsidiary under the name of Halk Invest Ltd. in London to engage in brokerage activities for capital markets instruments and offer investment services.

New Opportunities in Close-by Regions

Halkbank resolved to research the acquisition opportunities in the Serbian banking industry and directed the carrying out the research studies for these opportunities.

Halkbank's Subsidiaries and Affiliates

Subsidiaries



Halk Sigorta A.Ş.

Capital: TRY 70,000,000
Halkbank's shares: 89.18%

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives, tradesmen and artisans. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund. The Company's business name was changed to Halk Sigorta A.Ş. from Birlik Sigorta A.Ş. at the Extraordinary General Assembly Meeting held on December 27, 2010. For the aim of conducting its activities with a stronger financial structure, -the Company's paid-in capital was raised from TRY 40 million to TRY 70 million within the new authorized capital of TRY 150 million. Pursuant to the resolution of its Board of Directors in 2013, Halk Sigorta A.Ş. acquired a 16.67% equity stake in Türk P ve I Sigorta A.Ş.



Halk Hayat ve Emeklilik A.Ş.

Capital: TRY 113,000,000
Halkbank's shares: 94.40%

The Company was established in 1998 under the business name of Birlik Hayat Sigorta A.Ş. to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

Began preparations in 2009 to operate in the private pension sector, the Company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

The Company's capital was raised from TRY 72 million to TRY 113 million in 2013.

HALKBANK'TAN KREDİ KULLANANA
4 YILDIZLI KORUMA!

MAAS FARKI SİGORTASI

Hayal risklerle doludur... Her beklenmedik bir anda, "sınız ya da aileğiniz" için bir sorunla baş baş kalabilirsiniz.
Halkbank Maas Farkı Sigortası ferdi kazayla, bedene yaralama ve ameliyat nedeniyle hastaneye yatma, düşük maaşu yeni bir işe başlama gibi risklere karşı kredi ödemelerinizi biraktığınız yoldan devam ettirir.

Siz de Maas Farkı Sigortası yaptırım, kredi ödemelerinizi güvenceye almanın farkını yapayın.

HALKSİGORTA **HALKBANK**

www.halksigorta.org / 444 1 545 / www.halkbank.com.tr / 444 9 030 Halkbank Etiket



Halk Yatırım Menkul Değerler A.Ş.

Capital: TRY 55,000,000
Halkbank's shares: 99.94%

Halk Yatırım Menkul Değerler A.Ş., which began operations in 1997, was set up to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. The Company became a subsidiary in early 2006 when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

The Company's capital was raised from TRY 46 million to TRY 55 million in 2013.



Halk Banka A.D., Skopje

Capital: MKD 2,893,690,000 (Macedonian denars)
Halkbank's shares: 98.78%

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank that began operating in 1993 to conduct a full range of banking activities, from Demir-Halk Bank (Nederland) N.V. in 2011. Subsequently, the Bank became a subsidiary of Halkbank; the name was changed to Halk Banka A.D., Skopje.

Halk Banka A.D., Skopje, the Bank's subsidiary operating in Macedonia, acquired Ziraat Banka A.D., Skopje, another bank operating in Macedonia controlling shares of which are owned by T.C. Ziraat Bankası A.Ş., with all of its assets, liabilities, branches and personnel as of October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%.

Halk Banka A.D., Skopje opened a representative office in Serbia in line with its strategy of pursuing growth and increasing its presence in other Balkan countries.



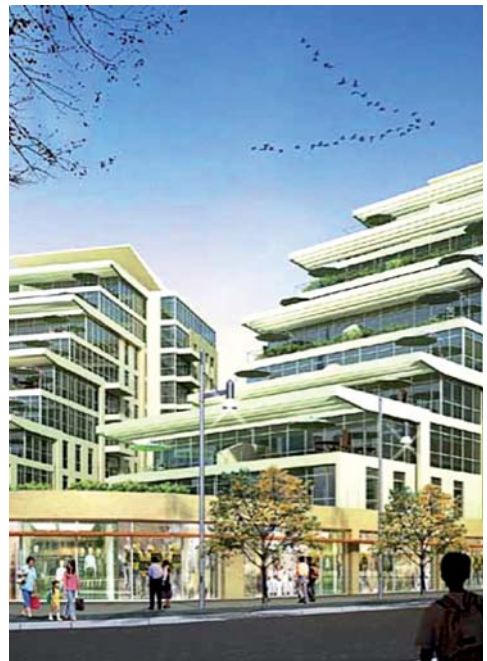
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TRY 673,638,704
Halkbank's shares: 71.89%

The Company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the Real Estate Investment Trusts and to invest in real estate properties, real estate-backed capital markets instruments, real estate projects and real estate-based rights.

The shares corresponding to TRY 185.5 million of share capital that will be issued as a result of the increase in the Company's paid-in capital from TRY 477 million to TRY 662.5 million within its authorized capital of TRY 1.5 billion. It was sold in February 2013 and the Bank's shareholding is 71.89% by way of a public offering.

In 2013, the Company raised its paid-in capital by TRY 11.1 million, all of it from 2012 profit, to TRY 673.6 million.



Halkbank's Subsidiaries and Affiliates

HALKLEASING

Halk Finansal Kiralama A.Ş.

Capital: TRY 259,162,047
Halkbank's share: 99.99%

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary under Halkbank acquired the shares of other shareholders in 2011.

The Company raised its capital twice in 2013, first from TRY 93.95 million to TRY 114.95 million, and subsequently to TRY 259.2 million.



HALKPORTFÖY

Halk Portföy Yönetimi A.Ş.

Capital: TRY 5,000,000
Halkbank's shares: 55.99%

The Company was founded on June 24, 2011 to manage portfolios consisting of capital markets instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital markets activities pursuant to the provisions of the Capital Market Law and its related regulations.

HALKFAKTÖRİNG

Halk Faktoring A.Ş.

Capital: TRY 40,000,000
Halkbank's shares: 95.00%

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began executing transactions on December 10, 2012. The Company increased its capital from TRY 20 million to TRY 40 million in 2013.



Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

Capital: TRY 1,000,000
Halkbank's shares: 100%

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative delivery channels and payment systems. Pursuant to the Turkish Competition Authority's approval for the share transfer transaction, Halkbank's acquisition of Ziraat Group's 76% equity stake (T.C. Ziraat Bankası A.Ş. shareholding: 61%; Ziraat Finansal Kiralama A.Ş. shareholding: 15%) in the Bank's affiliate Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. was finalized on July 22, 2013 and the Company became a wholly-owned subsidiary of the Bank.

Affiliates



KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Capital: TRY 38,000,000
Halkbank's share: 31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have a high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an "angel investor" network and to carry out portfolio management activities. Through this network, the Company intends to bring together a group of "angel investors" and undertake finance matching to meet seed and initial capital needs.



DHB Bank
DEMİR-HALK BANK (NEDERLANDI) N.V.

Demir-Halk Bank (Nederland) N.V.

Capital: € 113,750,000
Halkbank's shares: 30%

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. was established in the Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.

Bankalararası Kart Merkezi A.Ş.

Capital: TRY 14,000,000
Halkbank's shares: 18.95%

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.

Kredi Kayıt Bürosu A.Ş.

Capital: TRY 7,425,000
Halkbank's shares: 18.18%

The Company was founded in 1995 to facilitate information sharing, a requisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.

Securities Available for Sale

Kredi Garanti Fonu A.Ş.

Capital: TRY 240,000,000
Halkbank's shares: 1.75%

Commencing operations in 1991, Kredi Garanti Fonu A.Ş. was established to support small and medium-size enterprises through loan guarantees and to facilitate their access to bank loans to finance their investments and working capital needs.

Sberbank Magyarország Zrt. (Sberbank Macaristan)

Capital: HUF 37,266,000,000 (Hungarian Forints)
Halkbank's shares: 1.07%

Magyarorszagi Volksbank RT was established in Hungary in 1993 to carry out a full range of banking services.

Volksbank International AG, the controlling shareholder of Magyarorszagi Volksbank RT, sold its 98.60% stake in the Company to Sberbank Europe AG in 2012. In the General Meeting held on 29.05.2013, it was decided to change the Bank's name as Sberbank Magyarorszagi Zrt.

International Joint Stock Bank (Garagum)

Capital: TMM 17,000,000 (Turkmenistan Manats)
Halkbank's shares: 2.01%

The International Joint Stock Bank (Garagum) commenced operations in Turkmenistan in 1993 to carry out a full range of banking services.

İstanbul Takas ve Saklama Bankası A.Ş.

Capital: TRY 420,000,000
Halkbank's shares: 1.11%

Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.

Capital: TRY 5,402,160
Halkbank's shares: 1.37%

Türkiye Cumhuriyet Merkez Bankası

Capital: TRY 25,000
Halkbank's shares: 1.11%

Alıdaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş.

Capital: TRY 6,000,000
Halkbank's shares: 0.50%

Borsa İstanbul A.Ş.

Capital: TRY 423,234,000
Halkbank's shares: 0.00353%

Annual Report Compliance Statement



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

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ANNUAL REPORT COMPLIANCE STATEMENT

To the General Assembly of Türkiye Halk Bankası Anonim Şirketi:

We have audited the accuracy and compliance of the financial information contained in the annual report of Türkiye Halk Bankası Anonim Şirketi ("The Bank") as of December 31, 2013 with the independent auditor's report drawn up as of the end of the related accounting period. The subject of the report is under the responsibility of the Bank management. Our responsibility as the firm carrying out the independent audit is to present opinion on the Annual Report.

The audit was carried out in accordance with the procedures and principles regarding the preparation and publication of annual reports which entered into force under Banking Law No. 5411 and the regulations on the principles of independent auditing. These regulations require that audits be planned and carried out with the purpose of giving reasonable reassurance as to whether there are any material errors in the annual report. We believe that the audit carried out provides a reasonable and sufficient basis for forming an opinion.

Our opinion is that, in line with the procedures and principles in force as of December 31, 2013 pursuant to Article 40 of Banking Law 5411, the financial information contained in the enclosed Annual Report of the Bank reflects the information on Türkiye Halk Bankası Anonim Şirketi's financial standing accurately; contains a summary report of the Board of Directors as well as the independent auditor's opinion that was provided by us; and is consistent with the information contained in the independently-audited financial statements.

İstanbul,
February 17, 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Responsible Partner, Chief Auditor

Amendments to the Articles of Association in 2013

On the Ordinary General Meeting of Halkbank which held on March 29, 2013 the Bank's Articles of Association has been amended.

FORMER VERSION

ARTICLES OF ASSOCIATION of TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

SECTION ONE INCORPORATION

Incorporation:

Article 1- The Articles of Association of Türkiye Halk Bankası Anonim Şirketi are hereby amended as follows in accordance with provisions of the Law No. 4603.

Title of the Company:

Article 2- The trade title of the Bank is "Türkiye Halk Bankası Anonim Şirketi", which is abbreviated as "Halkbank". It shall hereinafter be referred to in this Articles of Association as the "Bank".

Head Office and Organization:

Article 3- The head office of the Bank is in Ankara, at the address of Söğütözü 2. Cad. No. 63 Çankaya/ Ankara. Any changes in the address of the Bank's head office shall be notified to the Trade Registry, and announced via the Trade Registry Gazette of Turkey. Notices sent to the last registered and announced address of the Bank shall be deemed as received by the Bank. The failure to register any new address within applicable legal period of time upon relocation from the registered and announced address shall be considered as a cause for termination by the Bank.

Changes in the address shall be notified to the Banking Regulation and Audit Authority, the Capital Markets Board, and other relevant authorities.

The Bank's organization is comprised of the General Directorate as well as domestic and foreign service units. The Board of Directors is authorized

NEW VERSION

ARTICLES OF ASSOCIATION of TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

SECTION ONE INCORPORATION

Incorporation:

Article :1-) The Articles of Association of Türkiye Halk Bankası Anonim Şirketi, are hereby amended as follows as per the Law No. 4603.

Title of the Company:

Article:2-) The trade title of the Bank is "Türkiye Halk Bankası Anonim Şirketi", which is abbreviated as "Halkbank". It shall hereinafter be referred to as the "Bank" in this Articles of Association.

Head Office and Organization:

Article:3-) (1) The head office of the Bank is in Istanbul, at the address of Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/Istanbul. Any changes in the address of the Bank's head office shall be notified to the Trade Registry, and announced via the Trade Registry Gazette of Turkey. Notices sent to the last registered and announced address of the Bank shall be deemed as received by the Bank. The failure to register any new address within applicable legal period of time upon relocation from the registered and announced address shall be considered as a cause for termination by the Bank.

(2) Changes in the address shall be notified to the Banking Regulation and Supervision Agency, the Capital Markets Board, and other relevant authorities.

(3) The Bank's organization is comprised of the General Directorate as well as domestic and foreign service units. The Board of Directors is authorized

Amendments to the Articles of Association in 2013

to determine the attributes, duties and authorities, and legal forms of these service units.

Purpose and Subject:

Article 4- The purpose of the Bank is to engage in all kinds of banking activities which can be duly performed by deposit banks, subject to the fulfilment of all obligations and requirements provided in the Banking Law as well as other laws and regulations.

In order to attain its purposes, the Bank shall use all such authorities and powers that are available to it under the Banking Law as well as other laws and regulations.

The Bank may offer all kinds of cash and non-cash credit facilities in Turkish Lira or foreign currencies; act as a broker for export, purchase, and sale of such financial instruments that are offered at domestic and international financial markets; perform investment banking activities; purchase, sell, and transfer credit facilities collectively or individually; perform trading activities at domestic and foreign forward markets; procure funds from interbank markets as well as other domestic and foreign resources; perform capital market activities; act as a broker for export and import activities; act as an agency for insurance companies and other financial institutes; participate in all kinds of partnerships which banks can establish, or become a partner of in the country and at abroad, or establish new partnerships, or terminate its existing partnerships in accordance with applicable laws and regulations.

Furthermore, the Bank may offer credit facilities to tradesmen and merchants as well as small and medium sized industrial enterprises directly or through Credit Cooperatives for Tradesmen and Merchants provided that interest rates of such credit facilities may not be less than actual costs of the Bank.

In case the percentage of publicly held shares of the Bank falls below 50%, activities of the Bank regarding the offering of credit facilities to tradesmen and merchants as well as small and

to determine the attributes, duties and authorities, and legal forms of these service units.

Purpose and Subject:

Article:4-) (1) The purpose of the Bank is to engage in all kinds of banking activities which can be duly performed by deposit banks, subject to the fulfilment of all obligations and requirements provided in the Banking Law as well as other laws and regulations.

(2) In order to attain its purposes, the Bank shall use all such authorities and powers that are available to it under the Banking Law as well as other laws and regulations.

(3) The Bank may offer all kinds of cash and non-cash credit facilities in Turkish Lira or foreign currencies; act as a broker for export, purchase, and sale of such financial instruments that are offered at domestic and international financial markets; perform investment banking activities; purchase, sell, and transfer credit facilities collectively or individually; perform trading activities at domestic and foreign forward markets; procure funds from interbank markets as well as other domestic and foreign resources; perform all kinds of capital market activities; act as a broker for export and import activities; acts as an agency for insurance companies and other financial institutes; participate in all kinds of partnerships which banks can establish, reserving the provisions of Capital Markets laws and regulations, or become a partner of in the country and at abroad, or establish new partnerships, or terminate its existing partnerships in accordance with the Banking laws and regulations and Capital Markets laws and regulations.

(4) Furthermore, the Bank may offer credit facilities to tradesmen and merchants as well as to small and medium sized industrial enterprises directly or through Credit Cooperatives for Tradesmen and Merchants provided that interest rates of such credit facilities may not be less than actual costs of the Bank.

(5) In case the percentage of publicly held shares of the Bank falls below 50%, activities of the Bank regarding the offering of credit facilities to tradesmen and merchants as well as small and

medium sized industrial enterprises shall continue in accordance with the methods and principles that shall be determined by the Council of Ministers.

The Bank may not be involved in activities that may not be performed by deposit banks pursuant to the Banking Law, the Capital Markets Law, and other relevant laws and regulations, activities for which necessary consents or authorizations could not have been obtained from relevant authorities in spite of them being specified in applicable laws and regulations, or activities which are banned to be performed by deposit banks pursuant to other relevant laws and regulations even if such activities are specified in these Articles of Association

Acquisition of Movable and Immovable Assets; Transactions That Involve Movable and Immovable Assets:

Article 5- The Bank may not be involved in trading of immovable assets and commodities for commercial purposes. The Bank may not participate in partnerships that are solely involved in trading of immovable assets except for mortgaged housing finance institutions and real estate investment trusts, and the Bank may not offer credit facilities to real persons and legal entities involved in these activities.

However, without prejudice to the provisions of relevant laws and regulations, the Bank may, with a resolution of its Board of Directors, acquire, give, sell, transfer, impose pledges and mortgages on, all kinds of movable and immovable assets, all kinds of rights, especially including industrial and intellectual rights, rights of redemption, rights of repurchase, usufructs, easements, superficies, and other in-kind rights, and rights of receivables; receive pledges and mortgages imposed on movable and immovable assets; release existing mortgages; hire or rent movable and immovable assets, industrial and intellectual rights, and other similar rights; register rental contracts and preliminary sales contracts at land registers in its

medium sized industrial enterprises shall continue in accordance with the methods and principles that shall be determined by the Council of Ministers.

(6) The Bank may not be involved in activities that may not be performed by deposit banks pursuant to the Banking Law, the Capital Markets Law, and other relevant laws and regulations, activities for which necessary consents or authorizations could not have been obtained from relevant authorities in spite of them being specified in applicable laws and regulations, or activities which are banned to be performed by deposit banks pursuant to other relevant laws and regulations even if such activities are specified in these Articles of Association.

(7) In the event that the purpose and subject of the Bank is amended, required permits shall be obtained from the T.R. Ministry of Customs and Trade, Banking Regulation and Supervision Agency and the Capital Markets Board.

Acquisition of Movable and Immovable Assets; Transactions That Involve Movable and Immovable Assets:

Article:5-) (1) The Bank may not be involved in trading of immovable assets and commodities for commercial purposes. The Bank may not participate in partnerships that are primarily involved in trading of immovable assets except for mortgaged housing finance institutions and real estate investment trusts.

(2) However, without prejudice to the provisions of relevant laws and regulations, the Bank may, with a resolution of its Board of Directors, acquire, give, sell, transfer, impose pledges and mortgages on, all kinds of movable and immovable assets, all kinds of rights, especially including industrial and intellectual rights, rights of redemption, rights of repurchase, usufructs, easements, superficies, and other in-kind rights, and rights of receivables; receive pledges and mortgages imposed on movable and immovable assets; release existing mortgages; assign its receivables as well as securities associated therewith; hire or rent movable and immovable assets, industrial and intellectual rights, and other similar rights; register

Amendments to the Articles of Association in 2013

own name; and cancel such registrations. The Bank may impose pledges and mortgages individually or collectively as well as jointly.

The Bank may acquire immovable assets for the purpose of sustaining its banking activities and collecting its receivables within applicable legal limits, and dispose of the same whenever appropriate through sale or exchange thereof or otherwise.

The Bank may obtain all kinds of in-kind and personal securities in order to secure and collect its rights and receivables. The Bank may carry out registration, cancellation, and other transactions at land registers, tax offices, and other public bodies and entities in connection with such securities.

SECTION TWO CAPITAL

Capital:

Article 6- The registered share capital of the Bank is TL 1.250.000.000,00 (One Billion Two Hundred and Fifty Million Turkish Liras), which is fully paid.

This share capital;

is divided into 1.250.000.000,00 (One Billion Two Hundred and Fifty Million) registered shares, each having a nominal value of One Turkish Lira.

The registered shares, which are not eligible for transfer through blank endorsement, are traced through book-entry registration at the Central Registry Agency.

The shares to be issued by the Bank shall be subject to applicable provisions of the Capital Market Regulations as well as applicable principles on registration of shares.

rental contracts and preliminary sales contracts at land registers in its own name; and cancel such registrations. The Bank may impose pledges and mortgages individually or collectively as well as jointly.

(3) The Bank may acquire movable and immovable assets for the purpose of sustaining its banking activities and collecting its receivables within applicable legal limits, and dispose of the same whenever appropriate through sale or exchange thereof or otherwise.

(4) The Bank may obtain all kinds of in-kind and personal securities in order to secure and collect its rights and receivables. The Bank may carry out registration, cancellation, assignment and other transactions at land registers, tax offices, and other public bodies and entities in connection with such securities.

SECTION TWO CAPITAL AND DEBT INSTRUMENTS

Capital:

Article:6-) (1) The registered share capital of the Bank is TL 1.250.000.000,00 (One Billion Two Hundred and Fifty Million Turkish Liras), which is fully paid, free of collusion.

(2) This share capital is divided into 1.250.000.000,00 (One Billion Two Hundred and Fifty Million) registered shares, each having a nominal value of One Turkish Lira.

(3) The shares representing the Bank's share capital are traced through book-entry registration pursuant to applicable principles of dematerialization.

SECTION THREE BODIES OF THE BANK

Bodies of the Bank:

Article 7- The authorized bodies of the Bank are as follows: The General Assembly, the Board of Directors, the Committee of Credits, the Audit Committee, the General Manager, and the Auditors.

General Assembly:

Article 8- The Bank's General Assembly meets in ordinary or extraordinary form. The General Assembly meets in ordinary form at least once a year within three months of the expiration of each fiscal year of the Bank. The General Assembly meets in extraordinary form and takes necessary decisions whenever necessitated by the affairs and activities of the Bank in accordance with applicable provisions of the Turkish Commercial Code and these Articles of Association.

Duties and Powers of the General Assembly:

Article 9- The General Assembly shall, in addition to the tasks and duties that are provided herein, assume such duties and powers that are specified in the Turkish Commercial Code, the Banking Law, and other relevant laws and regulations.

Meetings of the General Assembly:

Article 10- The General Assembly shall meet at the Bank's Head Office or any other suitable location within borders of such civilian administration unit where the Bank's Head Office is situated, or within borders of Istanbul. The person calling the meeting shall make the choice in this regard.

Issuance of Debt Instruments:

Article:7-) The Bank may issue all kinds of debt instruments that are specified and defined in the capital markets laws and regulations. The Bank's Board of Directors shall be authorized to issue the debt instruments.

SECTION THREE BODIES OF THE BANK

Bodies of the Bank:

Article:8-) The authorized bodies of the Bank are as follows: The General Assembly, the Board of Directors, the General Manager, and Committees that shall be established as per relevant laws and regulations.

General Assembly:

Article:9-) The Bank's General Assembly meets in ordinary or extraordinary form. The General Assembly meets in ordinary form at least once a year within three months of the expiration of each fiscal year of the Bank. The General Assembly meets in extraordinary form and takes necessary decisions whenever necessitated by the affairs and activities of the Bank in accordance with applicable provisions of the Turkish Commercial Code, Capital Markets laws and regulations, Banking laws and regulations and these Articles of Association.

Duties and Powers of the General Assembly:

Article:10-) The General Assembly shall, in addition to the tasks and duties that are provided herein, assume such duties and powers and make such decisions that are specified in the Turkish Commercial Code, the Banking Law, the Capital Markets Law, and relevant secondary legislation adopted under these laws.

Meetings of the General Assembly:

Article:11-) The General Assembly shall meet at the Bank's Head Office or any other suitable location within borders of such civilian administration unit where the Bank's Head Office is situated, or within borders of Ankara. The person calling the meeting shall make the choice in this regard.

Amendments to the Articles of Association in 2013

Invitation for General Assembly:

Article 11- The General Assembly shall be called for a meeting by the Board of Directors or by those who are authorized in this regard as per applicable laws and regulations.

The date, time, venue, and agenda of the General Assembly meeting shall be announced in the Trade Registry Gazette of Turkey as well as in at least one newspaper that is circulated through the location of Bank's head office, at least three weeks in advance of anticipated date of the meeting.

Agenda:

Article 12- The agenda of an ordinary General Assembly meeting shall include such items as the reading of reports issued by the Board of Directors and the Auditors; the review and approval of balance sheets and P & L statements; the release of members of the Board of Directors and Auditors from their respective liabilities separately; the proposals received about distribution of profits; the election of members of the Board of Directors and Auditors whose term in office have expired; and such other items that are considered appropriate to be discussed at the meeting.

Invitation and Announcement for General Assembly:

Article:12-) (1) The General Assembly shall be called for a meeting by the Board of Directors or by those who are authorized in this regard as per applicable laws and regulations.

(2) The date, time, venue, and agenda of the General Assembly meeting shall be announced in the Trade Registry Gazette of Turkey, in at least one newspaper that is circulated across the country, at the website of the Bank, at the Public Disclosures Platform (PDP), and also via other means as designated by the Capital Markets Board at least three weeks in advance of anticipated date of the meeting excluding the dates of announcement and meeting.

(3) The invitation for meeting shall not be sent separately via registered and reply-paid letter for the Bank's shares that are traded on the stock exchange.

(4) The invitation for meeting shall be sent separately via registered and reply-paid letter for the Bank's dematerialized shares which are not traded on the stock exchange. However, the invitation for meeting shall be sent via registered and reply-paid letter to such address, which are clearly known based on records available in the Share Ledger, for those shares that are monitored collectively through the "Dematerialized Unknown Shareholders Account" at the Central Registry Agency.

Agenda:

Article:13-) (1) The agenda of an ordinary meeting of the General Assembly shall include the election of managerial bodies; the matters associated with financial statements, annual report of the Board of Directors, and mode of allocation of profits; the determination of distributable shares of profit and dividends; the release of members of the Board of Directors; and other matters and issues which are considered appropriate in connection with the fiscal year.

The agenda of an Extraordinary General Assembly meeting shall include topics which have necessitated the holding of the meeting as well as other topics fit to be discussed at the meeting.

(2) The agenda of an Extraordinary General Assembly meeting shall include topics which have necessitated the holding of the meeting as well as other topics fit to be discussed at the meeting.

(3) The agenda shall be determined by the individuals who have called the meeting. Topics that are not in the agenda may not be discussed or resolved at the General Assembly. Exceptions specified in law are hereby reserved.

**Attendance to General Assembly Meetings;
General Assembly Meetings via Electronic
Means:**

Article:14-) (1) The Bank shall attend to General Assembly meetings in accordance with the principles and methods that are specified in the Turkish Commercial Code, the Capital Markets Law, and other relevant laws and regulations.

(2) The beneficiaries whom are entitled to attend General Assembly meetings of the Bank may also attend these meetings via electronic means pursuant to the Article 1527 of Turkish Commercial Code. The Bank may establish an electronic general assembly system which enables the beneficiaries to attend the general assembly meetings electronically, to share opinions, to provide recommendations at the meetings and to cast votes, or the Bank may purchase such services from other systems which have been established for this purpose in accordance with the Regulation on the Electronic General Assembly Meetings. It shall be ensured that the beneficiaries and the representatives are able to exercise their rights specified under the Regulation at all General Assembly meetings via the established system pursuant to this provision of the Articles of Association.

(3) The principles and methods specified in the laws and regulations adopted by the Central Registry Agency shall be taken into consideration with regards to the establishment and operation of the electronic system for general assembly meetings.

Amendments to the Articles of Association in 2013

Council of the General Assembly Meeting:

Article 13- Chairman of the Board of Directors shall preside the meetings of the General Assembly, in case the Chairman is not present, such duty shall be carried out by the Deputy Chairman. Chairman of the Board of Directors or the Deputy Chairman presides the meeting, the meeting shall comprise of two clerks selected among the shareholders, and two vote collectors selected among the shareholders or other persons, by the General Assembly.

Quorums:

Article 14- Relevant provisions of the Turkish Commercial Code shall apply to the meeting and decision quorums.

Right to Vote and Method of Voting:

Article 15- Shareholder present at the General Assembly meetings shall be entitled to one vote per share. Votes shall be cast by showing of hands. However, voting by ballot must be exercised if it is requested by shareholders representing one tenth of all shares represented at the meeting.

Laws and regulations of the Capital Markets Board shall govern the matter of voting by proxy.

Ratification of Balance Sheets and Release:

Article 16- A decision of the General Assembly on the ratification of the balance sheet implies release of members of the Board of Directors and Auditors and Managers. However, where certain points were not shown on the balance sheet or the balance

Chairman of the General Assembly Meeting:

Article:15-) (1) Chairman of the Board of Directors shall preside the meetings of the General Assembly, in case the Chairman is not present, such duty shall be carried out by the Deputy Chairman or the General Manager. Chairman of the Board of Directors or the Deputy Chairman or the General Manager presides the meeting, the meeting shall comprise of at least one minute keeper selected among the shareholders, and one vote collector selected among the shareholders or other persons, by the General Assembly.

(2) The Chairman of the meeting may appoint experts for transactions of the general assembly via electronic means.

(3) Transactions of the General Assembly shall be carried out in accordance with provisions of internal directives.

General Assembly Meetings and Decision Quorums; and Impact of Decisions:

Article:16-) Relevant provisions of the Turkish Commercial Code and the Capital Markets laws and regulations and Banking laws and regulations shall apply to the meeting and decision quorums.

Right to Vote and Method of Voting:

Article:17-) (1) At the General Assembly, shareholders shall be entitled to number of votes in proportion with the total nominal value of their shares.

(2) Each shareholder shall be entitled to at least one vote even if such shareholder owns only one share.

(3) Laws and regulations of the Capital Markets Board shall govern the matter of voting by proxy.

Ratification of Balance Sheets and Release:

Article:18-) (1) A decision of the General Assembly on the ratification of the balance sheet implies release of members of the Board of Directors, Managers and Auditors, unless specified otherwise. In addition, where certain points were not shown on

sheet contained certain false points, the members of the Board of Directors, Auditors and Managers shall not be deemed to be released with the ratification of the balance sheet.

Board of Directors:

Article 17- The Board of Directors constitutes of at least seven (7) and at most nine (9) members, to be chosen by the General Assembly.

Members of the Board of Directors shall elect a Chairman, from among its members at their first meeting to be held after the oath-taking ceremony. At the meeting, a member shall also be ELECTED as the Deputy Chairman of the Board. The Board of Directors shall be presided by the Chairman or by the Deputy Chairman of the Board of Directors in his absence.

The requirements specified in the Banking Law for a General Manager shall also apply for one member more than half of all members of the Board of Directors.

Duties and Powers of the Board of Directors:

Article 18- The Bank shall be managed and represented by the Board of Directors.

the balance sheet or the balance sheet contained certain false points which formed an obstruction for the observation of the real state of the Bank and such has been made deliberately, ratification shall not cause release.

(2) A decision for release taken at a General Assembly meeting may not be cancelled by a General Assembly decision.

Board of Directors:

Article:19-) (1) The Board of Directors constitutes of nine (9) members, to be chosen by the General Assembly.

(2) Members of the Board of Directors shall elect a Chairman, from among its members at their first meeting to be held after the oath-taking ceremony. At the meeting, a member shall also be ELECTED as the Deputy Chairman of the Board. The Board of Directors shall be presided by the Chairman or by the Deputy Chairman of the Board of Directors in his absence.

(3) The requirements specified in the Banking Law for a General Manager shall also apply for one member more than half of all members of the Board of Directors.

(4) Causes for termination of membership status shall also prevent the election of members.

(5) Provisions of the Capital Markets laws and regulations and Banking laws and regulations shall be taken into consideration with regards to the determination, the qualifications, and election of independent members of the Board of Directors as well as other similar issues.

Duties and Powers of the Board of Directors:

Article:20-) (1) The Bank shall be managed and represented by the Board of Directors. The Board of Directors and the management, in its scope, is authorized to decide on all kinds of matters and transactions necessary for realization of its purpose, which fall outside the decision making power of the General Assembly according to the Articles of Association.

Amendments to the Articles of Association in 2013

18.1- In order for any contract, bond, power of attorney, and other document and instruments prepared in the name of the Bank to be valid and enforceable against the Bank, such must be signed by at least two authorized signatories of the Bank under the trade name of the Bank, in accordance with the conditions provided in a signature circular drafted by the Board of Directors, registered to the trade registry, and announced in the Trade Registry Gazette of Turkey.

18.2- The Board of Directors shall perform the duties and use the powers that are specified in the Turkish Commercial Code, the Banking Law, and other relevant laws and regulations. The Board of Directors shall be authorized to delegate some of such duties and powers within limits designated by the Board of Directors, and shall ensure the implementation and inspection of such duties and powers.

18.3- The Board of Directors shall appoint one of its members having necessary qualifications required under the Banking Law as the General Manager. The Chairman of the Board of Directors may not be elected as the General Manager.

The Board of Directors may delegate some of its duties and powers to the General Manager within limits designated by the Board of Directors. The General Manager shall coordinate the administrative affairs of the Bank and the effective functioning of the Bank's activities, and in addition perform the duties specified for general managers in the Banking Law as well as other relevant laws and regulations.

(2) The Board of Directors shall perform the duties and use the powers that are specified in the Turkish Commercial Code, the Banking laws and regulations, Capital Markets laws and regulations and other relevant laws and regulations. The Board of Directors is authorized to delegate management partially or wholly by means of internal directives.

(3) In order for any contract, bond, power of attorney, and other document and instruments prepared in the name of the Bank to be valid and enforceable against the Bank, such must be signed by at least two authorized signatories of the Bank under the trade name of the Bank, in accordance with the conditions provided in a signature circular drafted by the Board of Directors, registered to the trade registry, and announced in the Trade Registry Gazette of Turkey.

Term of Office and Termination of Membership:

Article 19.1- Members of the Board of Directors can be elected for a term up to three (3) years according to the decision of the General Assembly.

19.2- A member of the Board of Directors shall be deemed to have resigned from his/her post in the Board of Directors if he/she fails to attend three consecutive meetings for any reason, or fails to attend half of all meetings held during a fiscal year without prior consent of the Board of Directors.

Board of Directors Meetings:

Article 20.1- The Board of Directors shall convene whenever necessary due to its activities with a call made by the Chairman, the Deputy Chairman, or a member of the Board of Directors. The Board of Directors is obliged to convene at least once a month.

20.2- The Board of Directors shall, as a rule, convene in the city of the Bank's head office. However, the Board of Directors may also convene at any other location upon consent of the majority of all members of the Board of Directors.

20.3- The agenda of a Board of Directors meeting shall be determined by the Chairman or Deputy Chairman at least 24 hours in advance of the time of meeting, and shall be sent to the members with the letter of invitation or delivered in person.

Additional topics may be added to the agenda in emergencies, with the request of the Chairman of the Board of Directors. Members of the Board of Directors may also propose a motion regarding taking a decision.

20.4- The following table shows the meeting and decision quorums for the Board meetings and taking decisions depending on actual number of members of the Board of Directors.

Term of Office and Termination of Membership:

Article:21- (1) Members of the Board of Directors can be elected for a term up to three (3) years according to the decision of the General Assembly.

(2) A member of the Board of Directors shall be deemed to have resigned from his/her post in the Board of Directors if he/she fails to attend three consecutive meetings for any reason, or fails to attend half of all meetings held during a fiscal year without prior consent of the Board of Directors.

Board of Directors Meetings:

Article:22- (1) The Board of Directors shall convene whenever necessary due to its activities with a call made by the Chairman, the Deputy Chairman, or a member of the Board of Directors. The Board of Directors is obliged to convene at least once a month.

(2) The Board of Directors shall, as a rule, convene in the city of the Bank's head office. However, the Board of Directors may also convene at any other location upon consent of the majority of all members of the Board of Directors.

(3) The agenda of a Board of Directors meeting shall be determined by the Chairman or Deputy Chairman at least 24 hours in advance of the time of meeting, and shall be sent to the members with the letter of invitation or delivered in person.

(4) Additional topics may be added to the agenda in emergencies, with the request of the Chairman of the Board of Directors. Members of the Board of Directors may also propose a motion regarding taking a decision.

(5) The Board of Directors convenes subject to the presence of the majority of all its members and decisions are taken by a majority of the members who are present.

Amendments to the Articles of Association in 2013

Actual Number of Members	Meeting Quorum	Decision Quorum
7	5	5
8	5	5
9	6	6

(6) Board meetings may be held in person and/or by electronic means.

(7) The beneficiaries whom are entitled to attend General Assembly meetings of the Bank may also attend these meetings via electronic means pursuant to the Article 1527 of Turkish Commercial Code. The Bank may establish an Electronic Meeting System which enables the beneficiaries to attend the general assembly meetings electronically, to share opinions, to provide recommendations at the meetings and to cast votes, or the Bank may purchase such services from other systems which have been established for this purpose in accordance with the “Communiqué on Electronic General Assembly Meetings”. It shall be ensured that the beneficiaries and the representatives are able to exercise their rights specified under the Communiqué, at all General Assembly meetings via the established system pursuant to this provision of the Articles of Association.

20.5- Decisions of the Board of Directors may be taken by obtaining written consent of the members, unless one of the members requires oral discussion. Such decision must be adopted unanimously.

Fees of Board Members:

Article 21- Members of the Board of Directors shall be paid a monthly fee or remuneration determined by the General Assembly.

(8) Decisions of the Board of Directors may be taken by obtaining written consent of at least majority of members to a motion submitted by a member, unless one of the members requires oral discussion.

Fees of Board Members:

Article:23- Members of the Board of Directors shall be paid monthly fees, bonuses, remunerations and/or a share of annual profits determined by the General Assembly.

General Manager:

Article:24- (1) The Board of Directors shall appoint one of its members having necessary qualifications required under the Banking Law as the General Manager. The Chairman of the Board of Directors may not be elected as the General Manager.

(2) The Board of Directors may delegate some of its duties and powers to the General Manager within limits designated by the Board of Directors. The General Manager shall coordinate the administrative affairs of the Bank and the effective functioning of the Bank's activities, and in addition perform the duties specified for general managers in the Banking Law as well as other relevant laws and regulations.

Committees:

Article:25- The Committees established by the Bank pursuant to the Turkish Commercial Code, the Banking Law, the Capital Markets Law, and other relevant regulations are; the Credit Committee, the Board of Auditors, the Corporate Governance Committee, and the Committee of Remuneration. The Board of Directors is entitled to establish other committees if and when it deems appropriate, and the Committees to be established as such shall be considered as managerial bodies of the Bank.

Credit Committee:

Article:26- (1) In order to perform the duties assigned by the Board of Directors regarding credits, a Credit Committee shall be established with the participation of the General Manager of the Bank as well as at least two members of the Board of Directors who satisfy the qualifications expected of the General Manager, except for the term condition. Two alternate members shall be elected among the members of the Board of Directors who satisfy the qualifications expected of the General Manager, except for the term condition, in case any member shall not attend a meeting.

(2) The Credit Committee takes decisions about restructuring credit facilities such as new credit allocations, term extensions, increases, changes in conditions, decreases in interest rates, etc. within limits determined by the Board of Directors. The Committee determines compulsory rules and principles to be followed with respect to credits.

(3) The Credit Committee shall convene with the attendance of all of its members with an agenda determined and sent by the General Manager to the members at least 24 hours in advance of the

Credit Committee:

Article 22- In order to perform the duties assigned by the Board of Directors regarding credits, a Credit Committee may be established with the participation of the General Manager of the Bank as well as at least two members of the Board of Directors who satisfy the qualifications expected of the General Manager, except for the term condition. Two alternate members shall be elected among the members of the Board of Directors who satisfy the qualifications expected of the General Manager, except for the term condition, in case any member shall not attend a meeting.

22.1- The Credit Committee takes decisions about restructuring credit facilities such as new credit allocations, term extensions, increases, changes in conditions, decreases in interest rates, etc. within limits determined by the Board of Directors. The Committee determines compulsory rules and principles to be with respect to credits.

22.2- The Credit Committee shall convene at least once a week with the attendance of all of its members with an agenda determined and sent by the General Manager to members at least 24

Amendments to the Articles of Association in 2013

hours in advance of the meeting. Decisions adopted unanimously by the Credit Committee shall be enforced directly and decisions adopted by majority shall be enforced upon approval by the Board of Directors.

22.3- Decisions adopted by the Credit Committee shall be registered in the minute book. Minute Book of the Credit Committee shall be kept in accordance with the principles to which the Minute Book of the Board of Directors is subject to.

Committee of Auditors:

Article 23- The Board of Directors shall form a Committee of Auditors with at least two auditors who shall assist in the fulfilment of audit and supervision duties of the Board of Directors. Members of the Committee of Auditors shall be elected by the Board of Directors among members of the Board of Directors who do not have executive duties, and whose qualifications are determined by the Banking Regulation and Audit Authority.

The Committee of Auditors shall fulfil the duties specified in the Banking Law as well as in the present and/or future laws and regulations issued by the Banking Regulation and Audit Authority regarding boards of auditors.

meeting. Decisions adopted unanimously by the Credit Committee shall be enforced directly and decisions adopted by majority shall be enforced upon approval by the Board of Directors.

(4) Decisions adopted by the Credit Committee shall be registered in the minute book. Minute Book of the Credit Committee shall be kept in accordance with the principles to which the Minute Book of the Board of Directors is subject to.

Committee of Auditors:

Article: 27-) (1) The Board of Directors shall form a Committee of Auditors with at least two auditors who shall assist in the fulfilment of audit and supervision duties of the Board of Directors. Members of the Committee of Auditors shall be elected by the Board of Directors among members of the Board of Directors who do not have executive duties, and whose qualifications are determined by the Banking Regulation and Supervision Agency.

(2) The Committee of Auditors shall fulfil the duties specified in the Banking Law as well as in the present and/or future laws and regulations issued by the Banking Regulation and Supervision Agency regarding boards of auditors.

(3) The Committee of Auditors is also responsible for early identification of causes which might endanger the existence, development, and continuation of the Bank in accordance with the "Early Identification and Management of Risks" as provided in the Turkish Commercial Code. The Committee of Auditors makes proposals to the Board of Directors with respect to the implementation of necessary measures and remedies against such risks. The Committee conducts necessary activities in cooperation with relevant units of the Bank, and reports its evaluations and proposals, if any, to the Board of Directors regarding such duties.

Corporate Governance Committee:

Article:28-) (1) The Corporate Governance Committee is established and announced to the public by the Board of Directors.

(2) The fundamental duties of such Committee are monitoring Bank's compliance to the corporate

governance principles, and making improvements and making proposals to the Board of Directors in this respect.

(3) The Corporate Governance Committee also ensures compliance with the provisions provided in the Corporate Governance Principles, rendered mandatory by the Capital Markets Board for banking institutes.

Committee of Remuneration:

Article:29- (1) The Committee of Remuneration is established and announced to the public by the Board of Directors. This Committee consists two non-executive members of the Board of Directors.

(2) The Committee monitors and inspects remuneration affairs in the name of the Board of Directors, and fulfils other duties that are specified in relevant laws and regulations.

Number, Election, and Term of Office of Auditors:

Article 24- The General Assembly shall elect at most three (3) auditors among individuals who have received university education, and have experience in the fields of banking, economics or finance for at least ten (10) years. The auditors shall be elected for a term of at most three (3) years depending on decision of the General Assembly. Remunerations of the Auditors shall be determined by the General Assembly.

The auditors shall fulfil audit and inspection duties specified in the Articles of Association, the Banking Law, the Turkish Commercial Code No. 6762, and other relevant laws and regulations.

Amendments to the Articles of Association in 2013

SECTION FOUR AUDIT AND AUDITORS

Auditing and Independent Auditing Firm:

Article: 30- (1) The Bank shall appoint an independent auditing firm in accordance with applicable provisions of relevant Laws, the Decision On Determination Of Companies That Are Subject To Independent Audits, principles and procedures specified by the Authority for Public Supervision, Accounting and Audit Standards and/or the Banking Regulation and Supervision Agency, the Bank shall have its activity accounts, financial statements and annual reports of the Board of Directors undergo independent audits, shall provide to the General Assembly its independently audited year-end financial statements and annual reports of the Board of Directors, and shall publish independent audit reports in determined places and within a determined period of time.

(2) Provisions of Laws and/or regulations of the authorities listed above shall be taken into consideration regarding the election, removal of the Independent Auditing Firm, the termination of their contracts, adverse opinions provided in independent auditing reports, avoidance from providing any opinion in independent auditing reports, and difference of opinion between the Bank and Independent Auditing Firm

Board of Auditors:

Article: 31- (1) The General Assembly shall elect two auditors for the Board of Auditors, regarding matters apart from the independent auditor and auditing activities provided in the Turkish Commercial Code article 397 and so on, for auditing activities and presenting an informative annual audit report to the ordinary general assembly, with higher education, with at least ten years of experience in the fields of banking, economics, law, accounting, auditing or finance.

(2) The Members of the Board of Auditors are elected for a period of 3 years. In case of a vacancy in the membership, the other member of the Board of Auditors shall temporarily elect a person meeting the membership requirements, to be submitted to the approval of the first General Assembly. The

General Assembly may relieve the members of the Board of Auditors from their duties, if it deems necessary. The members of the Board of Auditors can be re-elected. The fee of the Members of the Board of Auditors shall be determined by the General Assembly and paid by the Bank.

(3) The Auditors may be present in the Board of Directors meetings, provided that they do not participate in the negotiations and that they do not vote.

SECTION FIVE ACCOUNTING ORDER, FINANCIAL REPORTS, DISTRIBUTION OF DIVIDENDS AND DONATIONS AND AIDS

SECTION FOUR ACCOUNTS AND DISTRIBUTION OF DIVIDENDS

Fiscal Year:

Article 25- The fiscal year of the Bank shall commence on the first day of January, and end on the last day of December each year.

Balance Sheets and Profit and Loss Statements, Reports of the Board of Directors and of Auditors:

Article 26- The Bank shall keep, publish and send to relevant authorities, its accounts and annual balance sheets, and profit and loss statements in accordance with the procedures and principles specified in the Banking Law. The Board of Directors shall have the ultimate duty and responsibility in this regard.

Balance sheets, profit and loss statements, and reports of the Board of Directors and of the Auditors, approved by an independent auditing firm shall be provided for review of the shareholders at least fifteen days in advance of a General Assembly meeting.

Without prejudice to the relevant provisions of the Banking Law, the financial account and reports, and independent auditing reports required to be prepared by the Capital Markets Board, shall be submitted to the Capital Markets Board and disclosed to the public in accordance with the principles specified by the Capital Markets Board.

Amendments to the Articles of Association in 2013

Fiscal Year and Accounting Order :

Article: 32-) (1) The fiscal year of the Bank shall commence on the first day of January, and end on the last day of December each year.

(2) The Bank shall keep account of its records and activities and maintain its commercial books in accordance with applicable Laws, Accounting and Reporting Standards as published by the organization of Public Supervision, Accounting, and Audit Standards, and the accounting regulations as published by the Banking Regulation and Supervision Agency. Applicable provisions of the Turkish Commercial Law and other relevant Laws shall govern the maintenance of commercial books in physical and/or non-physical environments, and the approval and certification activities regarding the opening, utilization and closing thereof.

(3) The Bank shall draft its financial statements in accordance with the accounting and recording order as specified above, shall announce and submit these to relevant bodies within the designated periods of time.

Annual Report of the Board of Directors:

Article: 33-) The Board of Directors shall draft annual reports that contain details of status, management and organization structure, human resources activities, financial conditions, management evaluations and future prospects as well as financial statements of the Bank, in accordance with corporate governance principles, and the summary report, to provide information to shareholders, account owners and other relevant persons and institutions, and provide to the General Assembly, after they have undergone an independent audit, within applicable periods of time.

Donations and Aids:

Article: 34-) Unless decided otherwise by the General Assembly, the Bank may offer donations and aids with respect to the provisions of and within limits set out in the Banking laws and regulations and the Capital Markets laws and regulations.

Determination, Allocation, and Distribution of Profit

Article 271- The amount remaining after deduction of all kinds of expenses, reserves, and taxes from revenues generated by the Bank during a fiscal year shall constitute the net profit of the Bank.

Unless necessary legal reserves are set aside and the first dividend is reserved shareholders, it may not be resolved to set aside any other reserves, transfer profits to following years, or distribute share of profits to members of the Board of Directors or the Bank personnel.

The net profit shall be allocated as follows:

271.1- Five percent (5%) shall be allocated to the legal reserve;

271.2- Five percent (5%) of the paid in capital shall be allocated to shareholders as the first dividend in proportion with their shares;

271.3- The remaining portion shall be allocated as follows:

271.3.1- A portion up to five percent (5%) may be distributed to members of the Board of Directors and the Bank personnel up to three times of their gross monthly salaries subject to approval of this allocation by the General Assembly and also subject to the determination of rates and amounts by the General Assembly for such allocation.

271.3.2- A portion to be determined by the General Assembly shall be set aside as the second dividend for distribution to shareholders.

271.4- Ten percent (10%) of the sum of all amounts to be distributed as per the Paragraphs 271.31 and 271.3.2 shall be set aside as reserves as per article 466(2)(3) of the Turkish Commercial Code.

271.5- The remaining amount of the profit shall be set aside as reserves.

Determination, Allocation, and Distribution of Net Profit

Article: 35-) (1) The amount remaining after deduction of all kinds of expenses, reserves, and taxes from revenues generated by the Bank during a fiscal year shall constitute the net profit of the Bank.

(2) Unless necessary legal reserves are set aside and the first dividend is reserved shareholders, it may not be resolved to set aside any other reserves, transfer profits to following years, or distribute share of profits to members of the Board of Directors or the Bank personnel.

(3) The net profit shall be allocated as follows;

3.1) Five percent (5%) shall be allocated to the primary legal reserves

3.2.) Five percent (5%) of the paid in capital shall be allocated to shareholders as the first dividend in proportion with their shares;

3.3.) The remaining portion shall be allocated as follows:

3.3.1.) It may be distributed to members of the Board of Directors and the Bank personnel up to three times of their gross monthly salaries subject to approval of this allocation by the General Assembly and also subject to the determination of rates and amounts by the General Assembly for such allocation.

3.3.2.) A portion to be determined by the General Assembly shall be set aside as the second dividend for distribution to shareholders.

3.4.) Ten percent (10%) of the sum of all amounts to be distributed as per the Paragraphs 3.31 and 3.3.2 shall be set aside as secondary reserves as per article 519(2)(c) of the Turkish Commercial Code.

3.5) The remaining amount of the net profit shall be set aside as reserves.

Amendments to the Articles of Association in 2013

27.2- The dates of distribution and amounts of annual dividends shall be determined by the General Assembly upon proposal of the Board of Directors.

27.3- Any dividend which has been distributed in accordance with these Articles of Association may not be taken back. Provisions of Article 473 of Turkish Commercial Code are hereby reserved.

27.4- If contingency reserves are not sufficient for supplying the capital, due to financial losses of the Bank, then profits shall not be distributed to shareholders until such losses are covered in full.

SECTION FIVE TERMINATION, DISSOLUTION, MERGER, OR ACQUISITION OF THE BANK

Termination or Dissolution of the Bank:

Article 28- The Bank may be terminated or dissolved voluntarily for any reason other than its bankruptcy pursuant to a respective decision to be taken at an extraordinary meeting of the General Assembly subject to the compliance to provisions of Article 20, and to the reservation of Article 106 of the Banking Law No. 5411. Dissolution shall take place in accordance with general provisions, by three liquidators appointed by the General Assembly among shareholders or other persons.

(4) If the primary mandatory reserve reaches twenty percent (20%) of the paid up capital, five percent (5%) of the net profit for the primary mandatory reserve shall still be reserved.

(5) The dates of distribution and amounts of annual dividends shall be determined by the General Assembly upon proposal of the Board of Directors.

(6) Any dividend which has been distributed in accordance with these Articles of Association may not be taken back. Provisions of Article 512 of Turkish Commercial Code are hereby reserved.

(7) If contingency reserves are not sufficient for supplying the capital, due to financial losses of the Bank, then profits shall not be distributed to shareholders until such losses are covered in full.

SECTION SIX TERMINATION, DISSOLUTION, MERGER, OR ACQUISITION OF THE BANK

Termination or Dissolution of the Bank:

Article: 36- The Bank may be terminated or dissolved voluntarily for any reason other than its bankruptcy pursuant to the relevant provisions of the Turkish Commercial Code, Banking laws and regulations and the Capital Markets laws and regulations.

Mergers or Acquisitions:

Article 29- Any merger or acquisition of the Bank shall be resolved by the General Assembly. Merger and acquisition transactions shall be carried out in accordance with applicable provisions of the Banking Law, the Capital Markets Law, and other relevant laws and regulations subject to the reservation of provisions of the Laws No. 4603 and 4684.

CHAPTER SEVEN PROVISIONS ABOUT PERSONNEL

Article 32- Regardless of the law based on which bank personnel are employed, bank personnel are obliged to fulfil all the requirements of Modern Banking Business and the State of International Competition as well as the applicable rules and objectives of the Reorganization.

Article 33- Members of the Board of Directors, Members of the Board of Auditors, and Contracted Personnel Subject to Private Law Provisions, who have been appointed by the General Assembly, shall be subject to applicable Private Law Provisions in respect of the liabilities that are attributable to their acts and actions. .

Mergers or Acquisitions:

Article: 37-) Any merger or acquisition of the Bank shall be resolved by the General Assembly. Merger and acquisition transactions shall be carried out in accordance with applicable provisions of the Banking laws and regulations, the Capital Markets laws and regulations, the Turkish Commercial Code, and other relevant laws and regulations subject to the reservation of provisions of the Laws No. 4603 and 4684.

CHAPTER SEVEN PROVISIONS ABOUT PERSONNEL

Fulfilment of Duties by the Personnel:

Article: 38-) Regardless of the law based on which bank personnel are employed, bank personnel are obliged to fulfil all the requirements of Modern Banking Business and the State of International Competition as well as the applicable rules and objectives of the Reorganization.

Private Law Provisions:

Article: 39-) Members of the Board of Directors, and Contracted Personnel Subject to Private Law Provisions, who have been appointed by the General Assembly, shall be subject to applicable Private Law Provisions in respect of the liabilities that are attributable to their acts and actions.

Amendments to the Articles of Association in 2013

SECTION SIX MISCELLANEOUS PROVISIONS

Article 30- Announcements of the Bank shall be made in accordance with the relevant legislation.

Article 31- The provisions of the Law No. 4603, the Banking Law, the Capital Markets Law, the Turkish Commercial Code, as well as other applicable laws and regulations shall apply for matters which the Articles of Association have not mentioned.

SECTION EIGHT MISCELLANEOUS PROVISIONS

Announcements:

Article: 40-) Announcements of the Bank shall be made in accordance with the relevant legislation.

Provisions :

Article: 41-) The provisions of the Law No. 4603, the Banking Law, the Capital Markets Law, the Turkish Commercial Code, as well as other applicable laws and regulations shall apply for matters which the Articles of Association have not mentioned.

Compliance with the Corporate Governance Principles:

Article: 42-) The Corporate Governance Principles shall be complied with as required mandatory by the Capital Markets Board. Transactions performed and board of directors decisions taken without complying with the mandatory principles shall be invalid and in breach of the Articles of Association.

The laws and regulations of the Capital Markets Board regarding corporate governance shall be complied with, with respect to transactions considered significant regarding application of Corporate Governance Principles and significant related party transactions of the Bank.

The relevant laws and regulations of the Banking Regulation and Supervision Agency and provisions of other relevant laws and regulations are reserved.

SECTION EIGHT TEMPORARY PROVISIONS

Right of Recourse:

Temporary Article 1- An action for recourse can be initiated against Members of the Board of Directors and Members of the Board of Auditors, who have been involved in reorganization processes, only if there is fault according to the Law No. 4603 on T.C. Ziraat Bankası A.Ş., T. Halk Bankası A.Ş., and T. Emlak Bankası, and the Law No. 4684 on Amendments to Some Laws and Legal Decrees.

An action may be initiated against these persons in connection with their respective duties only if there is a finalized writ of a criminal or civil court, and there is a final decision of the General Assembly regarding the initiation of an action in this regard.

Individuals who are to be opposite parties to an action must have used the right to bring an action for cancellation as granted in Article 381/3 of Turkish Commercial Code No. 6762 as the prerequisite of submitting their cases in connection with such action.

SECTION NINE TEMPORARY PROVISIONS

Right of Recourse:

Temporary Article: 1-) An action for recourse can be initiated against Members of the Board of Directors and Members of the Board of Auditors, who have been involved in reorganization processes, only if there is fault according to the Law No. 4603 on T.C. Ziraat Bankası A.Ş., T. Halk Bankası A.Ş., and T. Emlak Bankası, and the Law No. 4684 on Amendments to Some Laws and Legal Decrees.

An action may be initiated against these persons in connection with their respective duties only if there is a finalized writ of a criminal or civil court, and there is a final decision of the General Assembly regarding the initiation of an action in this regard.

Dematerialization of Shares:

Temporary Article: 2-) Pursuant to provisions of the Capital Markets Law; dematerialized shares, which are traced collectively through the "Dematerialized Unknown Shareholders Account" at the Central Registry Agency, shall be dematerialized by their holders in their own names and accounts by the end of 2014.

Shares that have not been dematerialized by shareholders in their own names and accounts shall be transferred to the Investors Indemnification Center as of the end of 2014, and shall thereafter be sold within the periods of time specified in the Law.

Board Of Directors And The Audit Board



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Hasan CEBECİ (1)

Chairman of the Board of Directors

Hasan Cebeci was born in Çankırı in 1949 and graduated from Ankara Academy of Economic and Commercial Sciences, Department of Economics and Finance. Beginning his professional career as an Assistant Inspector at T. Vakıflar Bankası T.A.O., he subsequently worked as an Inspector, Branch Manager, Unit Manager, Regional Coordinator and Deputy General Manager at the same bank. Appointed to T. Halk Bankası A.Ş.'s Board of Directors as an executive member responsible for loans on March 28, 2003, Mr. Cebeci was promoted to General Manager and Chairman of the Executive Board of the Bank on December 8, 2003. Hasan Cebeci has been serving as the Chairman of the Board of Directors since April 13, 2005. He is also the Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Süleyman KALKAN (2)

Vice Chairman of the Board of Directors

Süleyman Kalkan was born in Kırşehir in 1956. He graduated from Ankara University, Faculty of Political Science, Department of International Relations. Mr. Kalkan began his professional career as an Assistant Inspector at Türkiye İş Bankası A.Ş. in 1983. He then served as Retail Loans Assistant Manager in 1993, Commercial and Corporate Loans Regional Manager in 1995, and Non-Performing Loans Manager from 1997 until the end of 2003 at the same bank; he also sat on the Disciplinary Committee and served as a branch manager during his tenure at Türkiye İş Bankası. Over the same time period, Mr. Kalkan was a Member on the Board of Directors at Türkiye Sınai Kalkınma Bankası A.Ş. (Industrial Development

Bank of Turkey), Anadolu Hayat Emeklilik A.Ş. and İş Faktoring A.Ş. He served as the Chairman of the Board of Directors of Güneş Sigorta A.Ş., a subsidiary of Vakıfbank, and Chairman of the Board of Auditors of Vakıf International AG (Vienna). Mr. Kalkan was an Executive Member of the Board of Directors and General Manager of Türkiye Vakıflar Bankası T.A.O. (Vakıfbank) from March 2010 until March 2013. He has been Vice Chairman of the Board of Directors of T. Halk Bankası A.Ş. since April 1, 2013. Mr. Kalkan is also a Member of the Board of Directors at Demir-Halk Bank (Nederland) N.V.

Ali Fuat TAŞKESENLİOĞLU (3)

Member of the Board of Directors and General Manager

Born in 1964 in Erzurum, he graduated from Atatürk University, Faculty of Economics and Administrative Sciences, Business Administration Department in 1985. After completing the Post Graduate program at Beykent University Institute of Social Sciences Finance Department, he has been doing a degree in the PhD program at the same university in Business Administration Department. He began his professional career in 1988 at Yenidoğan Publication & Distribution Company. Between 1988 and 1996 he worked as a Chief Specialist at Faisal Finance Institution (Faisal Finans Kurumu A.Ş.). Beginning his new job in October 1996 at Asya Participation Bank (Asya Katılım Bankası A.Ş.), he worked consecutively as; Project Marketing Assistant Manager, Marketing Assistant Manager, Branch Manager of Merter and Sultanhamam Branches, Division Manager and Deputy General Manager at the Head Office Loan Allocation Department. Taskesenlioglu, elected as a member of the Board of Directors of T. Vakıflar



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Bankası T.A.O. on 30.03.2012, served consecutively at the following positions; substitute member in T.Vakıflar Bankası T.A.O. Audit and Loan Committees, between 20.04.2012- 07.02.2014 Chairman of the Board of Directors of the Vakıf Portföy Yönetimi Management Company Inc. (Vakıf Portföy Yönetimi A.Ş.), Deputy Chairman of the Board of Directors of the Vakıf Finance Factoring Services Company Inc. (Vakıf Finans Factoring Hizmetleri A.Ş.) and Deputy Chairman of the Board of Directors of the Vakıf Securities Investment Trusts Company Inc. (Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.). Since 02.07.2014, he has been serving as a member of the Board of Directors and as the General Manager of the T.Halk Bankası A.Ş. He also is the Chairman of the Board of Directors of Halk Life Insurance and Pension Company Inc. (Halk Hayat ve Emeklilik A.Ş.).

Süleyman ASLAN (4)

Member of the Board of Directors

Born in 1970 in Osmancık/Çorum, he graduated from the Department of International Relations, Faculty of Economics and Administrative Sciences of the Middle East Technical University. He began professional his career in 1992 at the Ziraat Bankası School of Banking, and then worked as a specialist in the Capital Markets Department at the same bank. He continued his career at Ziraat Bankası as an Assistant Manager of the Istanbul Investment Securities Branch, then as the Manager of the Bonds and Bills Department. Aslan served as the General Manager and a member of the Board of Directors of Ziraat Asset Management. At the same time he was the head of the Foreign Exchange and Money Markets Department at Ziraat Bank. Aslan was the Deputy General Manager of the T. Halk

Bankası A.Ş. responsible for Treasury Management and International Banking between 17.06.2005-15.07.2011. He then served as a member of the Board of Directors and as the General Manager of T.Halk Bankası A.Ş. between 15.07.2011-07.02.2014. He has been a member of the Board of Directors since February 7, 2014. He also is the Chairman of Halk Life Insurance and Pension Company Inc. (Halk Hayat ve Emeklilik A.Ş.).

Emin Süha ÇAYKÖYLÜ (5)

Member of the Board of Directors

Emin Süha Çayköylü was born in Istanbul in 1948 and graduated from the Middle East Technical University, Faculty of Engineering, Department of Mechanical Engineering. He also holds two master's degrees from the Syracuse University Business School and the University of Manchester's Institute of Science and Technology as well as a PhD from the Washington International University. Having started his professional career as a Project Manager in a privately-owned company, Mr. Çayköylü subsequently worked as a Project Manager; as Department Manager at Türkiye Kalkınma Bankası A.Ş.; Division Head at the Islamic Development Bank; and as General Manager, Project Coordinator and Managing Director in various privately-owned companies. He has been serving as a Member of the Board of Directors of T. Halk Bankası A.Ş. since March 28, 2003.

Dr. Nurzahit KESKİN (6)

Member of the Board of Directors

Born in Istanbul in 1962, Nurzahit Keskin graduated from Anadolu University, Afyon Faculty of Economic and Administrative Sciences and holds a master's

Board Of Directors And The Audit Board

degree from Marmara University, Institute of Banking and Insurance, Department of International Banking as well as a PhD from Sakarya University. Dr. Keskin started his career as a lecturer at Marmara University. He subsequently moved to the private sector where he worked as an Independent Auditor and Management Consultant at an international company. After serving as an executive director in the human resources field at various national and multinational corporations, Dr. Keskin worked as an Executive Director responsible for Human Resources, Operations and Support Services as well as a Member of the Executive Board at T.C. Ziraat Bankası A.Ş. During the same period, Dr. Keskin was also a member of the Board of Directors of Ziraat Bank International AG, Germany; Turkish - Ziraat Bank Bosnia dd, Bosnia-Herzegovina; Ziraat Banka AD, Macedonia; Turkmen Turkish Commercial Bank, Turkmenistan and Azeri Turkish Bank ASC, Azerbaijan, in addition to his existing roles. He has been a Member of the Türkiye Halk Bankası A.Ş.'s Board of Directors since 2005. Dr. Keskin is also a Member of the Board of Directors at Dutch-based Demir - Halk Bank (Nederland) NV. Dr. Keskin speaks English and German.

Dr. Ahmet YARIZ (7)

Independent Member of the Board of Directors

Born in Elazığ in 1966, Ahmet Yarız graduated from Istanbul University, Faculty of Business Administration and received a master's degree and PhD from Marmara University, Institute of Banking and Insurance. Dr. Yarız began his banking career at Sinai Yatırım ve Kredi Bankası A.O. He worked for several industrial enterprises and financial institutions. Having served as a Member of the Board of Directors responsible for Risk Management and Internal Audit at T. Vakıflar Bankası T.A.O. and as a Board Member of the Savings Deposit Insurance Fund of Turkey, Dr. Yarız worked as an Independent Member of the Board of Directors between April 9, 2008 and May 23, 2010; as a Member of the Board of Directors from May 24, 2010 to March 28, 2013; and he has been serving as an Independent Member of the Board of Directors since March 29, 2013. at T. Halk Bankası A.Ş. Dr. Yarız also serves as a Member of the Board of Directors at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Sabahattin BİRDAL (8)

Independent Member of the Board of Directors

Born in Kemah, Erzincan in 1952, Sabahattin Birdal is a graduate of Istanbul University, Faculty of Economics, Department of Business and Finance. Having begun his career as an Assistant Inspector at T. Vakıflar Bankası T.A.O., Mr. Birdal subsequently worked as Inspector and Branch Manager at the same bank. He later worked as Banking Services Manager at Faisal Finans Kurumu and as Branch Manager, Division Manager and Deputy Manager at Kuveyt Türk Evkaf Finans Kurumu. He served as the Deputy Mayor of Üsküdar from April 2004 until March 2008 and as Member of the Board of Directors at T. Vakıflar Bankası T.A.O. between March 2008 and October 2010. Having been on the Board of Directors of T. Halk Bankası A.Ş. since October 27, 2010, Mr. Birdal has been serving as an Independent Board Member since March 29, 2013. In addition, he is the Vice Chairman of the Board of Directors at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

İsmail Erol İŞBİLEN (9)

Independent Member of the Board of Directors

İsmail Erol İşbilen was born in Çankırı in 1959. He graduated from Ankara University, Faculty of Political Science, Department of Economics and Finance. Mr. İşbilen began his career as an Assistant Inspector at T. Garanti Bankası A.Ş. in 1983; subsequently, he served as Inspector and later in various executive positions at the same bank. Mr. İşbilen joined Asya Katılım Bankası A.Ş. as a Branch Manager in December 1997 and worked as Loans Manager at the same bank from 2000 until 2004. Mr. İşbilen served as the Head of Financial Analysis and Intelligence Division at T.C. Ziraat Bankası A.Ş. from June 2005 to February 2010 and served on the Board of Directors and Audit Committee of Asya Katılım Bankası A.Ş. from February 2010 until March 2012. Having served on the Board of Directors of T. Halk Bankası A.Ş. since April 1, 2013, Mr. İşbilen has been an Independent Board Member since April 18, 2013. In addition, he is the Vice Chairman of the Board of Directors at Halk Hayat ve Emeklilik A.Ş.

Ahmet KAHRAMAN (10)**Member of the Board of Directors**

Born in Menemen, Izmir in 1955, Ahmet Kahraman graduated from Istanbul University, Faculty of Law. Having begun his career in 1980 as an associate judge in Lice, Mr. Kahraman held the positions of Prosecutor and Judge in various provinces. Starting from 1990, he served as Investigative Judge, Department Head, and Deputy General Manager at the units of the Ministry of Justice. Ahmet Kahraman was appointed Judge of Ankara in 2000, Deputy Undersecretary of the Ministry of Justice in February 2008, and Undersecretary of the Ministry of Justice in July 2008. He served as the Minister of Justice from March 2011 to July 2011 in the 60th Turkish Government. Mr. Kahraman who served as a Member of the Board of Directors at T. Halk Bankası A.Ş. as well as Vice Chairman of the Board of Directors at Halk Hayat ve Emeklilik A.Ş. since April 18, 2012, passed away on December 29, 2013.

Faruk ÖZÇELİK (11)**Member of the Audit Board**

Born in 1968 in Konya-Hadim he graduated from Ankara University Faculty of Political Sciences Business Administration Department. He completed his post graduate at Seljuk University Institute of Social Sciences, Department of International Relations. Afterwards, he completed Anatolian University Banking and Insurance Department. He began his professional career at the Turkish Prime Ministry General Directorate of Foundations as an Assistant Inspector, then he worked as an Inspector and Chief Inspector at the same Directorate and at the Ministry of Public Works and Settlement. Between 2003 and 2009 he worked as the Deputy General Manager at the Prime Ministry General Directorate of Personnel and Principles. Since February 2009, Özçelik has been the General Manager of the Prime Ministry General Directorate of Personnel and Principles as he has also assumed several positions as a member of the board of directors of the Turkish Catastrophe Insurance Pool between 2003-2010, and as a member of the Board of Auditors of Halkbank since 2010, and as a member of the Board of Directors of the Public Administration Institute of Turkey and Middle East since 2009. Faruk Özçelik, was appointed as the Undersecretary of the Ministry of Youth and Sports on the 26th of January 2014. He is interested in football, volleyball, and athletics.

Ali ARSLAN (12)**Member of the Audit Board**

Born in Besni, Adıyaman in 1963, Ali Arslan graduated from Çukurova University, Faculty of Economic and Administrative Sciences, Department of Business Administration and received a master's degree in Business Administration from Cleveland State University. Having started his career in 1987 as Treasury and Foreign Trade Assistant Specialist at the General Directorate of Public Finance of the Undersecretariat of Treasury, Mr. Arslan subsequently served as Treasury Specialist at the same General Directorate; Treasury Specialist and Branch Manager at the General Directorate of Economic Research and the Foreign Capital Directorate respectively; Energy Specialist at the Energy Market Regulatory Authority between October 2002 and October 2004; Department Manager between October 2004 and January 2005, Head of the Personnel Department between January 2005 and May 2010, and the General Manager from May 2010 until November 2011 at the now defunct General Directorate of Banking and Foreign Exchange of the Undersecretariat of Treasury. Having been the General Manager of the General Directorate of Relations with Financial Sector and Foreign Exchange since November 2, 2011. Mr. Arslan served as a Member of the Audit Board at T. Halk Bankası A.Ş. from April 18, 2012 to March 29, 2013. He has been a Member of the Audit Board which was established pursuant to the Articles of Association, since March 29, 2013.

Senior Management



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Ali Fuat TAŞKESENLIOĞLU (1) **General Manager**

Please see page 100 for Mr. Ali Fuat Taşkesenlioğlu's background.

Atalay TARDUŞ (2) **Deputy General Manager: Corporate and Commercial Marketing**

Born in 1969 in İzmir, Atalay Tarduş is a graduate of the Middle East Technical University, (Department of Economics, Faculty of Economics and Administrative Sciences). He began his career at Pamukbank T.A.Ş. as an Assistant Inspector on August 10, 1992 and also served as an Inspector, Marketing Director and Director of the Loans Unit at the same bank. Tarduş was a Manager between November 12, 2004 and November 21, 2005, a Commercial Branch Manager from November 22, 2005 to June 26, 2008, a Regional Coordinator between June 27, 2008 and August 3, 2011 and has been working as a the Deputy General Manager of Corporate and Commercial Marketing since August 4, 2011 at Halkbank.

Mehmet Akif AYDEMİR (3) **Deputy General Manager: Loan Allocation and Management**

Mehmet Akif Aydemir, born in 1963 in Ankara, is a graduate of Ankara University (Department of Economics, Faculty of Political Science). He began his career on October 20, 1986 at Pamukbank T.A.Ş. as an Assistant Inspector and went on to become an Inspector, Branch Manager and Division Manager at the Bank. Aydemir was the Head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and was the Deputy General Manager in charge of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011. He has since been working as an Deputy General Manager responsible for Loan Allocation and Management at Halkbank, which he began on July 22, 2011.

Taner AKSEL (4) **Deputy General Manager: Artisans-SME Banking**

Taner Aksel, born in Ankara in 1961, graduated from Anadolu University (Department of Economics, Faculty of Economic and Administrative Sciences). Aksel began his career at Pamukbank T.A.Ş. as an Assistant Inspector in 1985, going on to work as an Inspector and Branch Manager at the same Bank. After



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working as a Branch and Regional Manager at other banks, he returned to Pamukbank T.A.Ş. as a Branch Manager in 2000. He became a Branch Manager of Halkbank on November 11, 2004, a position he held until July 15, 2007; a Department Head from July 16, 2007 until November 2, 2008; a Deputy Manager Responsible for Corporate and Commercial Marketing between March 26, 2010 and July 21, 2011; and has been working as a Deputy General Manager in charge of Artisans and SME Banking since July 22, 2011.

İsmail Hakkı İMAMOĞLU (5)

Deputy General Manager: Retail Banking

Born in 1960 in Sürmene, Trabzon, İsmail Hakkı İmamoğlu is a graduate of the Ankara Academy of Economical and Commercial Sciences (Faculty of Administrative Sciences). He began his career at Vakıfbank as an Inspector in 1984 and went on to be the Vice Chairmanship of the Board of Inspectors, a General Manager, Secretary General of the Administrative Council, a Branch Manager and the Head of Department. Following this, İmamoğlu worked as Chairman of the Board of Inspectors at Sümerbank and Toprakbank. He also worked as a Coordinator at Bayındırbank. İmamoğlu joined Halkbank as a Regional Coordinator on July 1, 2003, assuming the

role until March 27, 2011, after which he was a Deputy General Manager responsible for Artisan and SME Banking-2 between March 28, 2011 and July 21, 2011 and has since been working as a Deputy General Manager in charge of Retail Banking.

Dr. Şahap KAVCIOĞLU (6)

Deputy General Manager: Loan Policies

Dr. Şahap Kavcıoğlu was born in Bayburt in 1967 and is a graduate of Dokuz Eylül University (Department of Business Administration, Faculty of Economics and Administrative Sciences). After graduating from İstanbul University Institute of Accounting as an Audit Specialist, Kavcıoğlu studied business administration at Hastings College in England. He received his master's degree in 1993 and a doctorate in 2003 from Marmara University Institute of Banking and Insurance. He began his career as an Assistant Inspector at Esbank in 1990 and went on to work as Inspector, Branch Manager and Deputy General Manager. After working for Çalık Investment Bank and MNG Bank, Kavcıoğlu joined Halkbank on June 30, 2003 as a Regional Coordinator for İstanbul. He held the position of Deputy General Manager responsible for Retail Banking between June 17, 2005 - June 07, 2007, and was responsible for Artisan-SME

Senior Management

Banking from June 8, 2007 until September 23, 2010. He has since been working as an Deputy General Manager in charge of Loan Policies.

Mürsel ERTAŞ (7)

Deputy General Manager: Risk Collection and Liquidation

Mürsel Ertaş, born in Ordu in 1964, graduated from Gazi University (Department of Foreign Trade Exchange, Faculty of Economical and Administrative Sciences). He joined Halkbank as an Assistant Controller in 1986, and went on to serve as an Assistant Inspector, Inspector, Branch Manager, Regional Coordinator and Head of Department respectively. He has been a Deputy General Manager responsible for Risk Collection and Liquidation since October 12, 2010.

Murat UYSAL (8)

Deputy General Manager: Treasury Management

Murat Uysal was born in 1971 in Istanbul. He attended Galatasaray High School and later graduated from Department of Economics in English, Faculty of Economics at Istanbul University. After obtaining his Masters degree from Marmara University's Institute of Banking and Insurance (Department of Banking), he commenced work with Tekstilbank in 1998 as an Assistant Specialist. He also served as Manager and Specialist in the Foreign Exchange - Money Market, and Securities Departments. Uysal was head of Halkbank's Money and Capital Markets Department between September 07, 2007 and September 11, 2011 and is currently Deputy General Manager in charge of Treasury Management since November 11, 2011.

Mehmet Hakan ATILLA (9)

Deputy General Manager: International Banking

Mehmet Hakan Atilla was born in 1970 in Ankara. He graduated from Department

of Economics, Faculty of Economics and Administrative Sciences at Gazi University. He joined Halkbank in 1995 as an Assistant Specialist at the Research Development and Planning Department and proceeded to work as a Specialist at the Commercial Credit Cards, and Cash Management Departments. He then held the title of Director and Division Manager at the Strategic Planning Department. Atilla was head of the Financial Institutions and Investor Relations Department between June 22, 2007 and November 11, 2011, before being appointed as the current Deputy General Manager responsible for International Banking.

Yakup DEMİRCİ (10)

Deputy General Manager: Human Resources and Organization

Born in 1966 in Karabük, Yakup Demirci is a graduate of Ankara University (Faculty of Political Science). He began his career at Halkbank as an assistant inspector on March 8, 1989. He has worked as an Inspector, Assistant Director in the Loans Risk Monitoring Department, Director in the Employee Rights Department and as the Head of the Human Resources Department. Demirci, who is married and has two children, has been serving as a Deputy General Manager in charge of Human Resources and Organization since June 11, 2008.

Ufuk Hacer DENİZCİ YÜCE (11)

Deputy General Manager: Banking Operations

Ufuk Hacer Denizci Yüce, born in Rize in 1967, is a graduate of İstanbul Technical University, (Department of Management Engineering, Faculty of Business Administration). She started her career as an Assistant Specialist at Yapı Kredi Bank in 1988, going on to work at Anderson Consulting and Accenture BPM as a Management Consultant and İktisatbank as a Loan Marketing Manager. She started working for Pamukbank on May 9, 1994, first as a Service

Manager and then as a Unit Manager. Yüce was the Head of the Software Development Department at Halkbank between November 12, 2004 and September 23, 2010. She has been a Deputy General Manager responsible for Banking Operations since October 12, 2010.

Erol GÖNCÜ (12)

Deputy General Manager: Information Systems and Technical Services

Born in Siirt in 1964, Erol Göncü is a graduate of the Middle East Technical University (Department of Mathematics). He began his career at Pamukbank on October 3, 1988 as a Systems Analyst and went on to hold the positions of Service Manager and Department Manager. He has been working as a Deputy General Manager in charge of Information Systems and Technical Services at Halkbank since June 9, 2005.

Mustafa SAVAŞ (13)

Deputy General Manager: Financial Management and Planning

Mustafa Savaş was born in 1965 in Çine, Aydın. After graduating from Ankara University, (Faculty of Political Science), he began his career as an Assistant Inspector at Halkbank on March 1, 1991. He has worked as an Inspector, Branch Manager in Lefkoşa, Cyprus and Yukarı Ayrancı, Ankara Branches and as the Head of the Internal Control Department. He was a Deputy General Manager responsible for Risk Management and Internal Control between July 18, 2002 and January 12, 2009, and an Deputy General Manager in charge of Risk Collection and Liquidity between January 13, 2009 and September 23, 2010, and was responsible for Private Loans from September 24, 2010 to July 21, 2011 and has since been working as a Deputy General Manager responsible for Financial Management and Planning at Halkbank.

Selahattin SÜLEYMANOĞLU (14)

Deputy General Manager: Risk Management and Internal Control

Selahattin Süleymanoğlu, born in 1962 in Alucra, Giresun, is a graduate of Gazi University (Department of Business Administration, Faculty of Economics and Administrative Sciences). After finishing his master's degree at Selçuk University Institute of Social Sciences, (Department of International Relations), Süleymanoğlu started his career in 1990 as an Assistant Inspector at Adabank, going on to work as an Inspector, Manager and Head Manager at T. Emlak Bankası A.Ş. between the years 1991-2001. Joining Halkbank as a Branch Manager in 2001, he worked at several branches, including the Ankara Corporate Branch as a Branch Manager. He was a Deputy General Manager responsible for Risk Collection and Liquidity between July 1, 2007 and January 12, 2009, and was in charge of Banking Operations between January 13, 2009 and September 26, 2010 and has been working as a Deputy General Manager in charge of Risk Management and Internal Control since September 27, 2010.

Alaaddin SARITAÇ (15)

Chairman of the Board of Inspectors

Alaaddin Sarıtaç, born in Göle, Ardahan in 1958, graduated from Ege University (Department of Economics, Faculty of Economics). Sarıtaç joined Halkbank as an Assistant Inspector on November 1, 1982 and went on to become an Inspector, Inspector General, Vice Chairmanship of the Board of Inspectors, Member and Head of Board of Discipline. He has been the Chairman of the Board of Inspectors since February 9, 2011.

Organizational Structure





Committees

Audit Committee

The Audit Committee of Halkbank, which was formed pursuant to the Board of Directors Resolution No. 34-01 dated October 31, 2006, conducts its activities in accordance with the provisions of the "Regulation on Internal Systems of Banks" published in the Official Gazette No. 28337 dated 28.06.2012 and is in charge of and responsible for, on behalf of the Board of Directors, overseeing the effectiveness and adequacy of the Bank's internal systems, functioning of these systems along with the accounting and reporting systems in compliance with the Law and related regulations, and the integrity of the information generated by such systems; performing the necessary preliminary assessments in support to the Board of Directors' selecting independent audit companies as well as credit rating agencies, appraisal firms and support service providers; regularly monitoring the activities of these organizations which are selected by the Board of Directors and contracts signed with; and, in accordance with the regulations that became effective pursuant to the Law, ensuring that the internal audit activities of the subsidiaries and affiliates that are subject to consolidation are performed on a consolidated basis and in coordination. Within the scope of "Early Detection and Management of Risk" specified in the Turkish Commercial Code Audit Committee also carries out the duty of early "diagnosis" of the reasons that endanger the existence, development and continuance of the Bank. It counsels the Board of Directors regarding the issues of risk management and implementation of remedies for the detected risks. Carrying out the necessary tasks by means of the relevant units of the Bank in accordance with its duty, the Committee submits the situation analysis and its suggestions (if any) in a report to the Board of Directors.

Duties of the Audit Committee

The Audit Committee is in charge of and authorized for:

- a) Overseeing compliance with the provisions of the Regulation regarding internal control, internal audit and risk management and the Bank's internal policies and implementation procedures that were approved by the Board of Directors as well as making recommendations to the Board of Directors regarding the measures to be taken,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Committee directly,
- c) Overseeing that the internal audit system covers the Bank's existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of the units covered by the internal systems and report directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from their related positions,
- e) Soliciting and evaluating senior management's opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Committee or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the qualifications that the personnel to be employed in the internal systems units should possess,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,
- k) Assessing the professional education levels and qualification of the managers and employees of the internal systems units,
- l) Assessing the existence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,

- m) Meeting with the inspectors as well as the independent auditors of the independent audit companies which conduct independent audit process of the Bank within the scope of pre-determined programs and agendas at regular intervals not less than four times a year,
- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, ensuring efficiency and improvement of the tasks that are part of their duties and responsibilities,
- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the Law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Assessing the independence of independent rating agencies, independent audit companies including the ones performing information systems audits, and appraisal firms with which the Bank is considering signing a contract, as well as the independence of the Chairman and Members of their Boards of Directors, auditors, managers and employees in respect of their activities regarding the Bank and the adequacy of the resources assigned to them, presenting a report to the Board of Directors regarding such assessment, repeating these steps at regular intervals not exceeding three months as long as the contract is in effect should the Bank resolve to procure service from them,
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in the form of a report, repeating these steps at regular intervals not less than one time a year as long as the contract is in effect should the Bank resolve to procure service from them, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all the information which need to be revealed and that these reports comply with the Law and other related regulations; ensuring that the errors and irregularities identified are corrected,
- t) Consulting with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the Law and other related regulations,
- u) Not exceeding periods of six months, reporting the activities the Audit Committee has performed during the period and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in a safe manner,
- v) Supervising whether persons with the authority of extending loans, take part in the evaluation and decision-making stages of the credit transactions involving themselves, their spouses, children under their guardianship, or other real or legal persons that form a risk group with the aforementioned, and establishing the channels of communication through which these matters will be conveyed to them.

The Audit Committee convened 12 times during 2013; during these meetings, the potential risks of the bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The members of the Committee attended the meetings regularly.

Committees

Members of the Audit Committee	Position	Primary Position
Sabahattin BIRDAL	Member	Independent Member of the Board of Directors
Ahmet YARIZ	Member	Independent Member of the Board of Directors

Operational Risk Working Committee

This Committee is formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

Duties of the Operational Risk Working Committee

- Establishing the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- Ensuring collaboration between units to be able to record, through a standardized coding system, the errors and deficiencies identified by the Board of Inspectors and other control units,
- Undertaking the technical and administrative efforts required to build a database of the operational losses incurred in the previous periods,
- Forming an opinion on the evaluation and rating of operational risks related to the functional activities that are part of the Risk Assessment Matrix,
- Performing all functions regarding tracking, monitoring and preventing all operational risks incurred by the Bank,
- Performing the duties that may arise as a result of developments in the banking laws and regulations.

The Operational Risk Working Committee convened 12 times during 2013. At these meetings, decisions were taken regarding the identification of operations that cause operational losses and the prevention of operational losses. The members of the Committee attended the meetings regularly.

Members of the Operational

Risk Working Committee	Position	Primary Position
Ali Ulvi SARGON	Chairman	Head of Risk Management Department
Çetin MEMİŞ	Member	Head of the Disciplinary Board
Mehmet TÜFEKÇİ	Member	Head of Internal Control Department
Ergin KAYA	Member	Head of Branch Operations Department
Hakan AYDOĞAN	Member	Head of Foreign Operations Department
Okan Hasan GÖR	Member	Head of Budget and Performance Management Department
Dursun Ali ALEV	Member	Head of Treasury Operations Department
Kadir YAYLAK	Member	Head of Tax Management and Accounting Department
Ayşegül SAYIN	Member	Head of Technological Architecture Management Department
İ. Öngen AKIN	Member	Head of Channel Management Department
Barış YETİM	Member	Deputy Head of the Board of Inspectors

Credit Committee

Operating within the authority delegated to it by the Board of Directors, the Credit Committee makes decisions related to new loan allocations and on loan restructuring matters such as maturity extension,

increase, change in covenant, and lowering the interest rate for loans.. The Committee sets the mandatory rules and principles governing the Bank's credit decisions. Established to perform the credit-related duties assigned by the Board of Directors, the Credit Committee consists of the Bank's General Manager and a minimum of two members elected from among the members of the Board of Directors who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who also possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting.

An affirmative vote of at least three-quarters of the members of the Board of Directors is required to elect the members and associate members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

Duties and Authorities of the Credit Committee

- Enforcing the policies approved by the Board of Directors related to the Bank's lending policy, size of its placement portfolio, and its breakdown by sector, region and loan type,
- Making recommendations to the Board of Directors to determine the procedures and principles pertaining to the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,
- Delegating some of its duties and authorities as needed provided that the limit and scope are expressly set out; however, the Committee may not delegate its authority with regard to open credit transactions, except for retail loans, and it shall oversee and supervise the actions of the bodies to which it delegated its authority,
- Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 51 times and made 864 decisions in 2013. The members of the Committee attended the meetings regularly.

Members of the

Credit Committee	Position	Primary Position
Ali Fuat TAŞKESENLIOĞLU	Chairman*	Member of the Board of Directors and General Manager
Ahmet YARIZ	Member	Independent Member of the Board of Directors
Sabahattin BİRDAL	Member	Independent Member of the Board of Directors

* Süleyman Aslan held the position of the Chairman of the Credit Committee until 07.02.2014.

Assets and Liabilities Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

Duties of the Assets and Liabilities Committee

Deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

Committees

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions taken and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

The Assets and Liabilities Committee convened 50 times in 2013. The members of the Committee attended the meetings regularly.

Members of the Assets and Liabilities Committee

Members of the Assets and Liabilities Committee	Position	Primary Position
Ali Fuat TAŞKESENLİOĞLU	Chairman*	Member of the Board of Directors and General Manager Deputy General Manager of Financial Management and Planning
Mustafa SAVAŞ	Member	
Taner AKSEL	Member	Deputy General Manager of Artisans-SME Banking Deputy General Manager of Loan Allocation and Management
M. Akif AYDEMİR	Member	
Atalay TARDUŞ	Member	Deputy General Manager of Corporate and Commercial Marketing
İsmail Hakkı İMAMOĞLU	Member	Deputy General Manager of Retail Banking
Dr. Şahap KAVCIOĞLU	Member	Deputy General Manager of Loan Policies
Murat UYSAL	Member	Deputy General Manager of Treasury Management
M. Hakan ATILLA	Member	Deputy General Manager of International Banking
Mürsel ERTAŞ	Member	Deputy General Manager of Risk Collection and Liquidation

*Süleyman Aslan held the position of the Chairman of the Assets and Liabilities Committee until 07.02.2014.

Corporate Governance Committee

The Corporate Governance Committee oversees the Bank's compliance with the Corporate Governance Principles, identifies conflicts of interest that may arise in this matter, and undertakes improvement efforts. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among its independent and non-executive members. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.

Duties of the Corporate Governance Committee

Overseeing the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board.

The Corporate Governance Committee convened four times during 2013.

Members of the Corporate Governance Committee

Position	Primary Position
Sabahattin Birdal	Chairman Independent Member of the Board of Directors
Dr. Nurzahit Keskin	Member Member of the Board of Directors
İsmail Erol İşbilen	Member Independent Member of the Board of Directors
Ahmet Kahraman	Member Member of the Board of Directors (passed away on 29.12.2013)
Mustafa Savaş	Member Deputy General Manager of Financial Management and Planning
Mehmet Hakan Atilla	Member Deputy General Manager of International Banking
Yakup Demirci	Member Deputy General Manager of Human Resources and Organization
Erdal Çelik	Member Head of the Human Resources Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened once during 2013. The members of the Committee attended the meetings regularly.

Members of the Compensation Committee

Position	Primary Position
Hasan CEBECİ	Member Chairman of the Board of Directors
Dr. Nurzahit KESKİN	Member Member of the Board of Directors

Board of Directors

The Bank is governed and represented by the Board of Directors in accordance with the Turkish Commercial Code, Banking Legislation, Capital Market Law, other related laws and regulations, and the Bank's Articles of Association.

The Board of Directors has the ultimate oversight authority over whether individuals with managerial duties comply with the laws, the Bank's Articles of Association, internal by laws, and the written instructions of the Board of Directors.

The Board of Directors is comprised of nine (9) members. The members of the Board of Directors are elected by the General Assembly of shareholders.

At its first meeting following the swearing-in ceremony, the Board of Directors appoints one of its members as the Chairman of the Board of Directors and one as the Vice Chairman. The Chairman presides over the Board of Directors. When the Chairman is not present, the Vice Chairman presides over the Board of Directors.

The independent members who will serve on the Board of Directors are determined in accordance with the provisions of the Capital Market Law and Banking Legislation.

Committees

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the Head Office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so.

Board of Directors meetings can be conducted in a physical and/or an electronic environment. As per Article numbered 1527 of the Turkish Commercial Code, those who have the right to attend the Bank's Board of Directors meetings may choose to do so electronically. Pursuant to the provisions of the "Communiqué on Board Meetings at Corporations Other Than Joint Stock Company General Assembly Meetings To Be Held in Electronic Environment," the Bank may establish an electronic meeting system that permits the rights holders to attend these meetings and to vote in an electronic environment or it may opt to procure the service from systems that are created for this function. The Bank shall ensure that stakeholders will be able to exercise their rights as stipulated in the relevant laws, rules and regulations under the provisions of the Communiqué at the meetings either through the system established in accordance with the relevant provision of the Articles of Association or through an externally procured system.

The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours prior to the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. In the event of an emergency, items may be added to the agenda upon the request of the Chairman of the Board of Directors; members of the Board of Directors may also make a motion on the issues that require a Board resolution to be passed.

The motions that are part of the Board of Directors meeting agenda, as well as all related attachments, shall be transmitted to the Board of Directors Secretariat Services Department by the member making the motion up to the time when the agenda is finalized. The motions that will be taken up as part of the Board of Directors agenda are presented to the Chairman, Vice Chairman and members of the Board of Directors as well as to the General Manager by the Board of Directors Secretariat Services Department.

If the subject of an agenda item is proposed by the Chairman, Vice Chairman and/or a member of the Board of Directors, the subject is converted into a motion by the Board of Directors Secretariat Services Department, signed by the member(s) of the Board of Directors making the motion and presented to the Board of Directors.

A motion that falls within the authority of the Credit Committee but cannot be resolved by the Committee with a unanimous vote is presented to the Board of Directors with all related attachments via the Board of Directors Secretariat Services Department.

The quorum for convening a Board of Directors meeting is a simple majority of the total number of members; the Board passes resolutions with the affirmative votes of a majority of the members in attendance at the meeting.

Unless a member requests a deliberation, Board of Directors resolutions can also be passed by obtaining the written approval of a simple majority of the full membership of the Board of Directors for a motion made by a member, provided that all members of the Board of Directors were notified of the motion.

The Board of Directors convened 43 times and passed 705 resolutions in 2013.

Executives of the Internal Systems Units

Deputy General Manager of Risk Management and Internal Control: Selahattin SÜLEYMANOĞLU

Tenure in Current Position	Professional Experience and Position	Education
3 year 3 months	23 years - Deputy General Manager at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Chairman of the Board of Inspectors: Alaaddin SARITAÇ

Tenure in Current Position	Professional Experience and Position	Education
2 year 11 months	31 years - Chairman of the Board of Inspectors at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

Head of Internal Control Department: Mehmet TÜFEKCI

Tenure in Current Position	Professional Experience and Position	Education
5 years 10 months	29 years - Head of Department at T. Halk Bankası A.Ş.	Master's Degree from Turkey

Head of Risk Management Department: Ali Ulvi SARGON

Tenure in Current Position	Professional Experience and Position	Education
9 years	23 years - Head of Department at T. Halk Bankası A.Ş.	Bachelor's Degree from Turkey

Report of the Board of Directors

2013 was a year in which there was limited recovery in terms of global economy. On the other hand, Turkish economy completed 2013 by showing positive performance with the contribution of the continuing stability, implemented economy policies, strong financial system and the decisions and measures taken by the regulatory and supervisory authorities.

In 2013 - as the Turkish Banking Sector maintained its solid structure - Halkbank, closely watching the sectoral and economic developments, continued to offer financial solutions for its customers' needs with its knowhow, wide branch network and specialized staff while it continued to grow sustainably and consistently pursuing the strategies that will contribute to production and employment.

In 2013, Halkbank renewed its syndicated loan of EUR 562 million and US\$ 259 million with the participation of 41 banks from 19 countries, continued to obtain long term resources within the framework of the agreements signed with the international finance institutions in order to finance the investment needs and operating capital needs of SMEs.

In 2013, Halkbank, issued bank bond with a total nominal value of TRY 2.5 billion, and issued its 2nd bond (Eurobond) with a nominal value of US\$ 750 million.

"Paraf" Card, offered at the service of our customers in December, 2012 made progress in a short time and contributed significantly to our Bank in the area of retail banking.

In 2013, Halkbank, increased its assets from TRY 108.3 billion to TRY 139.9 billion raising them by 29.2% compared to the same period of the previous year. 59.9% of the growth achieved in the assets was due to the increase in the loans.

As of 2013 yearend, Halkbank redirected the major part of its resources for loans. The portion of the loans in the balance sheet was 60.6% while the cash and non-cash loan volume went up from TRY 85.6 billion to TRY 111.9 billion increasing by 30.7%.

In 2013, the securities portfolio of the Bank reached TRY 28.6 billion increasing by 24.4% compared to the same period of the previous year. On the other hand, the portion of the portfolio in the balance sheet was 20.4%.

Total deposit of the Bank went up from TRY 80.0 billion to TRY 100.8 billion increasing by 26%. Moreover, the Bank's total amount of demand deposits which was TRY 16.0 billion in 2012, reached TRY 18.7 billion in 2013 increasing by 16.9%.

2013 yearend profit of Halkbank reached TRY 2,751 million increasing by 6% compared to the same period of the previous year and the Bank achieved to maintain its sustainable profitability.

Opening 56 new branches in 2013, Halkbank increased the total number of its domestic branches to 872 and completed the year with its 14,798 employees.

With its 75 years of experience and knowhow, Halkbank maintained its consistent growth in 2013 as well, having a profitable and productive operating year. For their dedicated work, we would like to thank our employees who accompanied us in reaching these results. We hereby present the Board of Directors' Report, Audit Board Report and the financial reports of Halkbank regarding 2013, for the review of our distinguished shareholders and their representatives.

Best Regards,

Ali Fuat TAŞKESENLIOĞLU
Member of the Board of Directors,
General Manager

Hasan CEBECİ
Chairman of the
Board of Directors

Human Resources Practices

Recruitment and Hiring

Taking into account the developments in the sector, developments that affect recruitment, qualitative changes in human resources, and budget opportunities, the Human Resources Department is responsible for planning how and from which resources, internal or external, the Bank's workforce needs will be supplied for the coming year. Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not having any compulsory service obligations to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and titles below these (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months or even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.

Human Resources Practices

Job Applications

Vacant positions at the Bank are announced via newspaper and magazine advertisements as well as on human resources web sites and Halkbank's web site. These announcements clearly state the relevant information about the examinations that will be held for the positions. Those who pass the examination may also be interviewed when necessary to determine whether they possess the knowledge and experience required by the position.

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows:

- The availability of a vacant title and/or position to which the employee will be promoted,
- To have completed the minimum term of office in the current title and/or position, if applicable,
- To have achieved the necessary level of success at the end of the performance review,
- To hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted,
- To have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted,
- Not to have received a title/position demotion in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it. Performance management is administered concurrently in two main avenues: numeric rating and competency evaluation. The performance evaluation results are used actively in the bonus system and training planning.

Transactions with the Risk Group

The details and related notes of the transactions the Bank carried out with its risk group in 2013 are provided in footnote VII of Section Five of the Non-Consolidated Independent Auditor's Report.

Information On Support Services Providers

Information on Support Services Providers

Under the "Regulation on Bank's Procurement of Support Services," Halkbank procured the following support services provided by the companies listed below:

- PayGateSearch services provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.,
- Business continuity and disaster recovery services provided by IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.,
- Software development and maintenance services for internet and telephone banking provided by V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.,
- Corporate Content Management Project maintenance and support services provided by Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.,
- Mobile Banking software development and maintenance services provided by Aradiom İletişim Bilgisayar Telekomünikasyon Elektronik Teknolojileri San. ve Tic. Ltd. Şti.,
- Information Technology Service Management Project maintenance and support services provided by Vizyon Bilgi Teknolojileri ve Yayıncılık Ltd. Şti.,
- Call Center Project software development and maintenance services provided by Asseco See Teknoloji A.Ş.,
- Operation, maintenance, technical support and software development services provided by GMG Bilgi Teknolojileri Ltd. Şti.,
- Demand and SLA management service provided by Signum Teknoloji Tanıtım ve Eğitim Ltd. Şti.,
- Security guard staffing service needed by the Bank's units provided by Başkent Güvenlik Hizmetleri Ltd. Şti.,
- Security guard staffing service needed by the Bank's units provided by KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.,
- Credit card, debit card and member business information systems software service provided by Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.,
- Payment card systems and alternative delivery channels operations service provided by Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.,
- Call Center and Operations Center staffing service provided by KRM Yönetim Danışmanlık A.Ş.,
- Call center and marketing operations-related outbound calling service provided by CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri A.Ş.,
- Call center and marketing operations-related outbound calling service provided by Global Bilgi Pazarlama Danışmanlık ve Çağrı Servis Hizmetleri A.Ş.,
- Call center and marketing operations-related outbound calling service provided Sonoklik İletişim Hizmetleri ve Ticaret A.Ş.,

Profit Distribution Policy

In its profit distribution decisions, Halkbank is obligated to comply with the regulatory requirements of the Banking Regulation and Supervision Agency of Turkey as well as those of all other relevant regulatory entities.

Halkbank determines the most appropriate profit distribution policy by taking into consideration its capital adequacy ratio, equity capital, lending plans, market developments, and investor requests. The Bank drafts its profit distribution proposal in accordance with the profit distribution policy and in line with the provisions of the Articles of Association and subsequently presents this proposal to the General Assembly for approval.

Report of the Audit Board

AUDIT BOARD REPORT REGARDING 2013 ACTIVITY AND FISCAL YEAR OF TÜRKİYE HALK BANKASI A.Ş.

Our Audit Board analyzed the Bank's 2013 activities and detected the following issues:

- The Bank has paid-in capital of TRY 1,250 million; The Bank's equity capital was TRY 12,323 million as of 2012 yearend and reached TRY 14,146 million as of 2013 yearend increasing by 14.8%.
- In 2013, the Bank renewed the syndicated loan of EUR 562 million and US\$ 259 million, with the participation of 41 banks from 19 countries.
- In 2013, the Bank issued bank bond with a total nominal value of TRY 2.5 billion, and issued its 2nd bond (Eurobond) with a nominal value of US\$ 750 million and a maturity of 7 years with fixed interest rate.
- In 2013, the Bank opening new branches continued its activities for the growth and increased the total number of its service units to 878,
- In order to meet its human resources needs arising from the new branches other than the recruitment made for the positions of the retiring/resigning employees, the Bank recruited 787 new employees and increased the total number of its employees to 14.798.
- The percentage of the employees with a university degree increased compared to the previous year and reached 80.7%
- With the aim of increasing the service quality of "Paraf", credit card brand of the Bank, and of carrying out fast and healthy operational transactions in parallel to the increase in the turnover of Paraf Card and in the number of transactions made with Paraf Card, the Bank bought the Ziraat Group shares equivalent to 76% in the capital of its associate company Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. (Bileşim Alternative Distribution Channels and Payment Systems Company Inc.) and turned the company into a subsidiary company with 100% of its shares in the possession of the Bank.
- The asset size of the banking sector which was TRY 1,370,690 million as of 2012 yearend, reached TRY 1,732,419 million as of 2013 yearend increasing by 26.4%; The credit volume which was TRY 794,756 million as of 2012 yearend reached TRY 1,047,428 million as of 2013 yearend increasing by 31.8%; Total deposits which were TRY 772,217 million as of 2012 yearend reached TRY 945,770 million as of 2013 yearend increasing by 22.5%; The ratio of non-performing loans/total loans was 2.7% decreasing by 11 basis points compared to 2012.
- The asset size of the Bank reached TRY 139,944 million as of 2013 yearend, increasing by 29.2% compared to the previous year; The loans of the Bank reached TRY 83,394 million increasing by 28.7%; The total securities of the Bank reached TRY 26,970 million increasing by 27.3%; Total deposits of the Bank reached TRY 100,374 million increasing by 26% and the ratio of non-performing loans/total loans was 2.6%.

- The ratio of total loans/total assets, which determines the quality of the asset, was 59.6% as of 2013 yearend (as of 2013 yearend, sector average was 60.5%). In 2013, the loan-to-deposit ratio was 83.1% (as of 2013 yearend, sector average was 110.7%)
- In 2013, the Bank's capital adequacy ratio was 13.91% - above the legal limits stipulated by the Banking Regulation and Supervision Agency - while the capital adequacy ratio of the sector was 15.30% as of 2013 yearend; In 2013, the Bank's return on equity was 20.8% - above the sector average - while sector average was 14.23% as of 2013 yearend.
- As of 2013 yearend, net annual profit of the Bank reached TRY 2,751 million increasing by 6% compared to 2012 yearend as the Bank's increasing profitability performance continued.
- As of 31st of December 2013 and second slice of term, the Bank's overall liquidity adequacy ratio which must be minimum 100% was 135.44% and the FX liquidity adequacy ratio which must be minimum 80% was 173.32%; the Bank does not have any problems with regards to liquidity structure.
- All books and records that the Bank is obliged to keep pursuant to all relevant provisions of legislation were kept in accordance with the legal requirements. Records and certified documents were stored properly, and the accounting and reporting systems were operated appropriately and effectively.
- The resolutions regarding the management of the Bank were recorded in the duly kept minute book of the Board of Directors.
- The Bank's internal control, risk management and internal audit systems were operated appropriately and effectively through centralized and on-site audits.
- In 2013, the total employees/day ratio regarding the Bank employees' attendance on-the-job trainings and classroom trainings was 8.85.

In conclusion; we submit the Audit Board Report that we have prepared pursuant to Article N.31 of the Bank's Articles of Association for the information of the General Assembly.

Ankara, February 21, 2014

Best Regards,

Ali ARSLAN

Member of the Audit Board

Faruk ÖZÇELİK

Member of the Audit Board

*Excluding rediscount.

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the "Corporate Governance Principles" published by the Capital Markets Board of Turkey.

The Bank is subject to the provisions of the corporate governance structures, processes and principles set forth in the "Regulation on Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency of Turkey (BRSA).

The amendments to the Articles of Association and the changes in the composition of the Board of Directors that will be made to comply with Turkish Commercial Law No. 6102 dated January 13, 2011, the Capital Market Law No. 6362 dated December 6, 2012, and Communiqué Series IV No: 56 published by the Capital Markets Board were completed at the Ordinary General Assembly Meeting that was held on March 29, 2013.

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

24.98% of the Bank's outstanding shares began to be traded on the Borsa Istanbul as of May 10, 2007. Since that date, the Bank has been carrying out its activities in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank's free-float ratio rose to 48.90% following the secondary public offering in November 2012.

As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting and Reporting Department as a Head Office function. The Investor Relations Units which is formed from the Financial Institutions and Investor Relations Department, is responsible for establishing institutional relations with domestic and foreign investors that invest in equities. The other unit responsible for conducting relations with shareholders is the Shareholders Unit that is organized under the Financial Accounting and Reporting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their activities to this committee. The Bank conducts shareholder relations with a very active organization.

Financial Accounting and Reporting Department:

Name	Position	E-mail	Telephone
	Head of		
Yusuf Duran OCAK	Department	YusufDuran.Ocak@halkbank.com.tr	+90 3122893001
Tuğba ÇETİN ÖZBEN	Director	Tugba.Cetinozben@halkbank.com.tr	+90 3122893005
Zafer ERDEM	Senior Specialist	Zafer.Erdem@halkbank.com.tr	+90 3122893021
Arda EDİRNE	Specialist	Arda.Edirne@halkbank.com.tr	+90 3122893041
Sevil Didem GÜVEN	Specialist	SevilDidem.Guven@halkbank.com.tr	+90 3122893027

Primary Activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,

- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material event disclosures,
- Preparing annual and interim reports.

Financial Institutions and Investor Relations Department:

Name	Position	E-mail	Phone
Elvan ÖZTABAK	Head of Department	Elvan.OZTABAK@halkbank.com.tr	+90 2165035950
Lena ÇITELI	Division Manager	Lena.Citeli@halkbank.com.tr	+90 2165035902
Aslı SERTTAŞ	Specialist	Asli.Serttas@halkbank.com.tr	+90 2165035910

Primary Activities of the Department:

- Carrying out correspondence with domestic and overseas investors and analysts, participating in investor conferences and international road shows, providing information to investors and analysts,
- Responding to questions from investors and analysts and classifying the correspondence,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing presentations and documents about the financial results, and having these posted on the website,
- Making the necessary updates to the Investor Relations section of the Bank's website in accordance with the Corporate Governance Principles.

3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's web site and on the Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded to as soon as possible.

In 2013, the Shareholders Unit, which is organized under the Financial Accounting and Reporting Department, responded to approximately 200 information requests submitted in writing, through Halkbank Dialog (Call Center) or via e-mail. On average, between four and five calls are received daily from shareholders wishing to obtain information.

In 2013, the Investor Relations Unit organized four international road shows, 23 domestic and international in-person meetings with international participation, 57 broadly-attended teleconferences and 111 in-person meetings. 9,024 questions were responded to as a result of the correspondences made with a total of 1,795 investors and analysts, 61 of which in international road shows, 618 during in-person meetings, 325 at the Bank's Head Office, 418 by means of teleconference calls, and 373 via e-mail and telephone. The questions were predominantly about the Bank's financial structure, profitability/productivity, position in the sector, block sale status, growth strategies, organizational structure, expectations for the future and the economic and political structure of Turkey.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

Corporate Governance Principles Compliance Report

4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on March 29, 2013 with a participation rate of 71.98% of the Bank's share capital. The announcements for the meeting were published three weeks earlier according to Capital Market Law No. 6362, in the Trade Registry Gazette of Turkey, two national newspapers, Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association.

The Bank's annual report and informational documents were made available to the shareholders prior to the General Assembly for their information and review. Background information on the members of the Board of Directors was disclosed via the Bank's website after the meeting. In addition, as per the Corporate Governance Communiqué that recently took effect, information on candidates for seats on the Board of Directors will be made available to the shareholders prior to the General Assembly meeting.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. Other stakeholders or media representatives did not participate in the meeting. Shareholders did not submit a written agenda item proposal.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.

The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's web site and at the Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, which has been a listed company since May 10, 2007, that was held on March 29, 2013 have been published on the Bank's web site and the Public Disclosure Platform, the Central Registry Agency (CRA) EGKS and the Bank's web site.

5. Voting Rights and Minority Rights

There are no privileged shares in the shares of the Bank. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management.

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 35 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's web site. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is determined by the Bank's Board of Directors, it is presented to the General Assembly for approval and dividend is distributed to the shareholders within the timelines set out in the regulations. A dividend was paid to the Bank's shareholders pursuant to a resolution passed in the Ordinary General Assembly Meeting held on March 29, 2013. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege in participating of the Bank's profit.

7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy:

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" Series: VIII, No: 54 published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the provisions of the Communiqué's Article 23 as well as Article 8 of the Guidelines contained in the appendix of the Communiqué. Within this scope, the Bank's Disclosure Policy is carried out by the following units.

Name	Position	Unit
Yusuf Duran OCAK	Head of Department	Department of Financial Accounting and Reporting Department of Financial Institutions and Investor Relations
Elvan ÖZTABAK	Head of Department	Investor Relations
Yalçın KAYA	Head of Department	Department of Public Relations

Halkbank's Information Disclosure Policy, which sets out and defines four principal methods through which all stakeholders including shareholders, potential investors and the public at large are assured of having timely, accurate and complete information about the Bank, has been posted on the Bank's website.

Since the disclosure to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such disclosure reflects the latest, transparent, objective and accurate information. As part of this policy, the independently-audited quarterly financial statements and financial results presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's web site. Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods.

9. The Bank's Internet Site and its Contents

The Bank's web site address is www.halkbank.com.tr. It contains information set out in Article 2.2 of Part II of the Capital Markets Board's Corporate Governance Principles including trade registry information, shareholding and organizational structure, Articles of Association, material event disclosures, annual and interim reports, periodic financial statements and reports, prospectus and the public offering circular, the agenda, list of participants and minutes of the general assembly meetings, the proxy voting form and ethic policies. In addition, a web site in English is provided for the benefit of international investors.

10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

Corporate Governance Principles Compliance Report

PART III - STAKEHOLDERS

11. Informing the Stakeholders

All information that may have an impact on the Bank's financial and organizational structure is published on the Public Disclosure Platform and on the Bank's web site. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Public Disclosure Platform or the Bank's web site or other means of communication to reach this information.

Employees are informed about the Bank's activities when deemed necessary using intra-company channels of communication. (i.e. electronic announcements, magazine, website, and etc.). In addition, meetings are held to assess the Bank's targets and strategies for managers and employees on a periodic basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are safeguarded within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.

Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated to the Bank via phone, fax, mail, branch, and e-mail channels as well as through the Head Office units and official bodies. Using certain procedures, demands and requests communicated to the Bank are processed, evaluated and as a result feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value-added for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.

13. Human Resources Policy

Halkbank's Human Resources Policy is devised and carried out based on the following core principles:

- Carrying out activities to achieve the Bank's objectives with an optimal number of staff,
- Selecting and recruiting staff equipped with the proper competencies for the job,
- Valuing and respecting the personality of the employees, ensuring the safeguarding of their material and non-material rights,
- Providing a safe working environment appropriate for the nature of the work being performed,
- Providing a working environment and opportunities to establish social relations that will increase employee's desire and capacity to work,
- Providing employees with fair and equal work, training and development opportunities commensurate with their talents,
- Establishing a salary and benefits system that will ensure the presence of the number of employees possessing the qualifications required by the service and that encourages the staff to continue working without loss of interest and productivity,
- Providing employees with opportunities to increase their knowledge and experience and rewarding successful employees to the extent possible,

- Informing employees promptly on the issues that are of interest to them and being open to communication in order to allow personnel to convey their opinions and ideas to the management easily,
- Ensuring that employees work with a commitment to the principles of productivity and profitability and in a cost-conscious manner,
- Encouraging employees to think creatively and to produce original ideas that will improve the Bank's services,
- In an effort to maintain and further develop the Bank's corporate culture and identity, embracing the principle of filling job assignments internally whenever possible, giving priority to assigning employees from within the Bank to vacant positions, and promoting the employees based on their skills, accomplishments, education and tenure,
- Evaluating employees fairly in accordance with objective criteria.

There are two trade unions in the Bank whose membership consists of employees. However, neither of these unions has reached the necessary number of members within the Bank to qualify for collective bargaining rights. The unions have representatives assigned to carry out relations with personnel.

No complaints were received from personnel regarding discrimination. Job descriptions and work distribution of personnel; as the performance evaluation and merit system are announced to employees and maintained in a portal that is accessible by personnel.

14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

In line with the principles of business ethics, Halkbank employees are expected to act as follows:

- Demonstrate a self-respecting, honorable and honest demeanor in all business relations.
- Avoid all kinds of behavior and attitudes that may damage Halkbank's reputation during the course of performing their duties.
- Thoroughly know and adhere to the laws, regulations, rules and legislation with regard to their duties.
- Under no circumstances disclose insider information to parties other than those who need to have such information.
- Study, adhere to and be well-informed about the instructions, regulations, procedures and rules that may be made with regard to organizing the working order and maintaining professional discipline.
- Inform managers or the Human Resources Department of any known or suspected breach of rules before taking any personal precautions.
- Always avoid expressing political, social or religious views in the workplace.
- Always dress in a plain and stylish manner that fits the work environment and strictly avoid casual clothes and evening dresses that would conflict with a serious corporate environment or any outfit that may have a political or religious meaning or express a social view.
- Avoid acting in such a manner as to violate the rules on the equality of sexes, respect, public morality, and generally accepted ethical behavior.

Corporate Governance Principles Compliance Report

The Bank has a “Code of Ethics” attached to the Human Resources Regulation. This code lays out the main principles that cover the issues of conflict of interest, rules about the flow of information, relations with clients and human resources. More detailed explanations are given under each main principle heading.

Ethic principles were publicly announced on the Bank’s website.

Halkbank’s social responsibility activities are described below:

Being the leading supporters of SMEs’ and the real sector throughout its 75-years history, Halkbank continued to provide support to both entrepreneurial and industrial enterprises which will carve out a presence in global markets and contribute to the Turkish economy and employment. In addition to its various activities to generate solutions to meet the financial and non-financial needs of SMEs, with a special focus on women and young entrepreneurs, the Bank also sponsored various social responsibility initiatives in education, culture and other such areas.

The corporate social responsibility projects the Bank undertook during the year include: Sponsorship of the International Women Entrepreneurs Forum that was organized for the first time this year in order to bring together female entrepreneurs from Turkey and abroad.

Main sponsorship, for the third time, of the Istanbul Finance Summit that was held with the participation of major figures from the Turkish and international finance industry.

Sponsorship of the traditional Ahi Week celebrations.

Main sponsorship, for the second time, of the SME and Entrepreneurship Awards where businesses that create value-added for the Turkish economy are recognized out of the belief that awarding success creates motivation and incentive.

Sponsorship of the Atlantic Council Energy & Economic Summit that was held with the participation of political and business leaders who shape global energy and economic policies.

Have been took place among the projects that were viewed as social responsibility as of their impact area which were realized during the year.

Halkbank’s new credit card brand Paraf and Soysal Retailing School teamed up to conduct training sessions entitled “Paraf Retail Management Development Workshop” for store managers, the key personnel of the retail industry, in order to increase their knowledge and skills base in modern management methods on September 5, September 19, September 30, November 6 and December 3.

Halkbank initiated the processes to continue in 2014 the Applied Entrepreneurship Training program that was launched last year as part of the agreement signed with KOSGEB (Small and Medium Enterprise Development Organization) in order to popularize entrepreneurial culture and support entrepreneurs.

As part of its activities to promote entrepreneurship, Halkbank sponsored the “From Idea to Action - Business Idea Competition” organized jointly by Halkbank and Gazi University for the first time in 2013. The competition serves to encourage technological innovation and entrepreneurship among faculty members and students, and to solidify the university’s commitment to entrepreneurship.

Halkbank revamped its SME website in 2013 (www.halkbankkobi.com.tr) in order to provide premium service, comprehensive informational resources and other support to SMEs, and bring them together on a single platform. Providing assistance to all SMEs, whether a Bank customer or not, this platform offers complimentary advisory services to small and medium enterprises on a wide variety of subjects, from foreign trade and financial management to tax and legal issues. The training modules designed specifically for SMEs and created to support the personal and professional development of small enterprise owners contribute to the improved performance and service quality of businesses. All applications of the "Halkbank SME Academy," which offers equal opportunity in training to all small and medium enterprises, are provided free of charge.

At the Productive Turkey Meetings organized in the cities where there are lots of SMEs and harsh competition conditions, Bank's products and services for the SMEs are introduced while the participant economists give information on the country's agenda, latest economic indicators, regional and sectoral problems, and advantages/disadvantages for the SMEs in their regions. Within this scope in 2013 a Productive Turkey Meeting was organized in Konya.

Halkbank was the first Turkish bank to cooperate with development agencies in order to assist in regional economic and social development. The Bank carries out the cash transfers to the owners of the projects that were submitted to the SME Financial Support Program and that qualify for financial support under the Bank's agreements with development agencies. The Bank also offers the Development Agency Co-financing Loan to qualifying businesses.

As part of the Renewable Energy and Energy Efficiency Loan Program that was signed with the French Development Agency in 2011, Halkbank continued to provide complimentary training and advisory services to SMEs.

Schneider Electric, the consulting firm that provided advice and input during the development of Halkbank's Energy Policy, conducted energy audits in 17 branch, four regional coordinator's office and two head office buildings of the Bank. The report drafted after these audits was submitted to the Bank's Corporate Governance Committee on June 13, 2013. Halkbank extended energy efficiency loans to 21 firms in 2013.

As part of its energy efficiency initiatives in 2013, Halkbank submitted a report for the International Carbon Disclosure Project (CDP), which was launched to collect the information that will help companies, investors and governments implement measures to combat the threat of climate change.

In addition to its financial services related initiatives, the Bank also pursued internationally recognized projects. As part of this effort, Halkbank acted as the local sponsor for the "FIFA U-20 World Cup." Organized by FIFA (International Federation of Association Football) every other year since 1997 for players under the age of 20, the second largest FIFA event after the World Cup, the "FIFA U-20 World Cup" was hosted by Turkey this year.

Halkbank undertook the Accessible Bank24 project to allow customers with disabilities to carry out their banking transactions conveniently on their own. People with physical disabilities can conduct all ATM transactions using Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

Our Accessible Bank24 ATMs serve visually-impaired customers at 185 locations and customers with physical disabilities at 46 service points throughout the country, whether they are Halkbank customers or not, as long as they own a debit card.

Corporate Governance Principles Compliance Report

PART IV - BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

Name	Position	Commencement Date of Term*	Date of Becoming Independent Member	Ending Date	Committee Assignment
Hasan CEBECİ	Chairman of the Board of Directors	March 28, 2003		Continuing	Compensation Committee
Süleyman KALKAN	Vice Chairman of the Board of Directors	April 1, 2013		Continuing	
Ali Fuat TAŞKESENLIOĞLU	Member of the Board of Directors and General Manager	February 7, 2014		Continuing	Credit Committee Asset/Liability Committee
Süleyman ASLAN***	Member of the Board of Directors	July 15, 2011		Continuing	
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	March 28, 2003		Continuing	
Dr. Nurzahit KESKİN	Member of the Board of Directors	April 13, 2005		Continuing	Credit Committee, Compensation Committee, Corporate Governance Committee
Ahmet KAHRAMAN**	Member of the Board of Directors	April 18, 2012		December 29, 2013	Corporate Governance Committee
Dr. Ahmet YARIZ	Independent Member of the Board of Directors	April 9, 2008	March 29, 2013	Continuing	Credit Committee, Audit Committee
Sabahattin BIRDAL	Independent Member of the Board of Directors	October 27, 2010	March 29, 2013	Continuing	Audit Committee, Corporate Governance Committee, Credit Committee
İsmail Erol İŞBİLEN	Independent Member of the Board of Directors	April 1, 2013	April 18, 2013	Continuing	Corporate Governance Committee
Ali ARSLAN	Member of the Audit Board	April 18, 2012		Continuing	
Faruk ÖZÇELİK	Member of the Audit Board	May 24, 2010		Continuing	

*The commencement date is the date on which the Members were first elected.

** Member of the Board of Directors Ahmet Kahraman passed away on December 29, 2013.

*** Mr. Süleyman ASLAN has served as a member of the Board of Directors and as the General Manager until February 07, 2014. Members of the Board of Directors Mehmet Emin ÖZCAN and Hikmet Aydın SİMİT resigned from the Bank on March 29, 2013.

The Members of the Board of Directors are elected for three-year terms and their terms of office have not yet expired. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The backgrounds of the Members of the Board of Directors are presented in the Bank's annual report as well as on the Bank's web site and announced to the public.

All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

The Corporate Governance Committee nominated three candidates to serve as independent Board members; the Committee's report on whether these candidates possess the qualifications to be an independent Board member dated February 27, 2013 was submitted to the Board of Directors on the same date. The Board of Directors submitted a list of candidates to the Capital Markets Board in an official letter dated March 1, 2013. In its official response dated March 21, 2013, the Capital Markets Board did not communicate a qualified opinion. Due to the resignation of one of the candidates from the Bank, the Committee nominated one independent Board member candidate and its report dated March 29, 2013 was submitted to the Board of Directors on the same date. The Board of Directors submitted the candidate to the Capital Markets Board in an official correspondence dated April 3, 2013 and did not receive a qualified opinion in the reply correspondence received on April 17, 2013.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to be represented.

16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obliged to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours before the meeting and it is delivered to the Members along with the meeting invitation by hand or by the Board of Directors Secretariat Services Department.

Since the Bank's Head Office has locations in both Ankara and Istanbul, the Bank has the technology infrastructure that allows members to attend the Board of Directors meetings remotely. The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

During 2013, 43 Board of Directors meetings were held.

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Regulation on Management Bodies" adopted pursuant to Board of Directors Resolution No. 22-42 dated May 27, 2013. This Regulation sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Internal Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Internal Regulation on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

Corporate Governance Principles Compliance Report

The authorities and responsibilities of the Bank's Managers are stipulated in the existing regulations and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.

17. The Number, Structure and Independence of the Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, and Compensation Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee consists of two members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a primary member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

The Bank's Compensation Committee consists of two non-executive Members of the Board of Directors.

The Corporate Governance Committee of the Bank consists of four members of the Board of Directors, the Deputy General Manager of Human Resources and Organization, the Deputy General Manager of Financial Management and Planning, the Deputy General Manager of International Banking and the Head of the Human Resources Department. The Independent Member of the Board of Directors acts as the Chairman of Corporate Governance Committee. The four Members of the Board of Directors who are also Corporate Governance Committee members have no executive function.

The mandatory Article numbered 4.5.1 of the Corporate Governance Principles exempts banks from the obligation of creating a Risk Assessment Committee. The Bank did not set up a separate Nominating Committee in 2013. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated May 27, 2013, the Bank delegated the functions of this committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency.

18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risks exposure.

In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated June 28, 2012 by the Banking Regulation and Supervision Agency of Turkey.

The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Deputy General Manager responsible for Internal Control and Risk Management while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks.

19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's web site.

20. Remuneration of the Board of Directors

In accordance with Article 23 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly. In this context, the Bank has paid to the Senior Management TRY 69 million gross in 2013. Within the limits in the Banking Law, it has been provided to use credit for the Board of Directors.

Audit Committee's Assessment on The Operation of The Internal Control, Internal Audit And Risk Management Systems And Information About Its Activities In 2013

Board of Inspectors

The Board of Inspectors of Türkiye Halk Bankası A.Ş. reports to the Board of Directors through the Audit Committee and consists of a Chairman, five Vice Chairmen and 239, Chief in Inspector, Senior in Inspector Inspectors and Assistant Inspectors.

Pursuant to the "Regulation on Internal Systems of Banks" of the Banking Regulation and Supervision Agency of Turkey that was published in Official Gazette No: 28337 dated June 28, 2012, the Board of Inspectors audits, periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the senior management regarding the compliance of the Bank's activities with the Law and other related regulations and the Bank's internal strategies, policies, principles and objectives as well as the effectiveness and adequacy of the internal control and risk management systems; identifies the deficiencies, errors and misconduct; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

The Board of Inspectors conducts its activities through three distinct but complementary procedures and methods: On-Site Audit, Centralized Audit and IT Audit. 79% of the Board's inspectors perform On-Site Audit activities, 9% are engaged in Centralized Audit activities, 7% carry out IT Audits and the remaining 5% conduct the inspection/investigation or audit report review/ inspection activities and other projects and tasks assigned by the Board.

Audit activities were conducted in (539) branches; (20) regional coordinator's offices; (9) departments; (8) subsidiaries; (4) overseas branches and (28) Information Technology areas in accordance with the risk-oriented auditing approach under the 2013 Audit Plan.

The Board also conducted Centralized Audits and Information Technology Audits in accordance with the international best practices and under the guidance of independent auditors and the Banking Regulation and Supervision Agency of Turkey with the aim of early detection of irregularities and operational errors by focusing on high-risk transactions; auditing the confidentiality and accuracy of the information generated by the information systems as well as the effectiveness of the internal controls embedded in the processes; and thus preventing potential actions that may harm the interests of depositors and shareholders of the Bank.

The updated risk positions related to the findings identified during the audit and the efforts undertaken by related units in order to eliminate these findings are monitored regularly through the Finding Monitoring System by a designated team charged with this task.

In addition, inspections and investigations were conducted under the authority and responsibility of the Board in 2013.

The Department's activity processes are administered in accordance with ISO 9001:2008 Quality Management System Standards; it was certified by the related accreditation agency in 2013.

Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively with the oversight of the Audit Committee within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the Law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

In accordance with a risk-oriented auditing approach, taking into consideration of their impact on the Bank's balance sheet, the duration and nature of control activities are held to a different standard not only at the branches depicting a high concentration of lending, deposits and non-performing loans, but also at the branches registering large increases in such activities; and the branches with a high risk rating as a result of the centralized inspections and statistical analyses due to the large number of operational errors.

Risk-oriented control activities carried out at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

The risk levels and business volumes of branches are measured using the operational risks detected during control activities and the data extracted from the central system. In addition, business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities are carried out at the at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers in

Audit Committee's Assessment on The Operation of The Internal Control, Internal Audit And Risk Management Systems And Information About Its Activities In 2013

accordance with the pre-determined inspection schedules; the results of these Internal Control activities are analyzed periodically to measure and assess risk by branch and subject.

Organized under a separate Department. "Compliance Control" activities are conducted in accordance with the provisions of the Regulation on the Internal Systems of Banks in order to ensure the compliance of the Bank's existing and planned operations and its new transactions and products with the Law, other related legislation, the internal policies and rules of the Bank and banking practices. Prior to seeking the approval of the Board of Directors, the Bank and Subsidiaries Compliance Controls Department provides its opinion on the Bank's new products and transactions as well as its planned operations from an internal control and legal compliance perspective.

As part of this effort, legislation is scanned using related resources; laws, decrees, regulations, communiqués, circulars and other regulations are monitored daily; and business processes are reviewed to check whether the Bank's actions are carried out in accordance with these regulations.

Examining the changes in laws and regulations and the impacts of these changes on financial reporting, accounting and other systems and practices, the Internal Control Department informs the units regarding this matter as needed and ensures that the Bank's related business flows, policies, procedures and practices are updated in accordance with the requirements stipulated by these changes.

At least one employee is charged with overseeing compliance with foreign laws and regulations in each of the Bank's overseas branches as well as subsidiaries and affiliates subject to consolidation. Reporting directly to the Bank and Subsidiaries Compliance Controls Department, which is responsible for compliance inspections, these employees report their compliance-related activities periodically. In addition, the activities of these employees performed to fulfill the compliance function are reviewed via on-site visits.

As part of the efforts to quantify operational risks, the Risk Warning Reports are entered into the database with a numeric code depending on the type of error and deficiency. These data are reviewed periodically and risk measurements and assessments are conducted by Branch and subject. In addition, as a result of the centralized analyses of these numeric data, centralized risk reports are created by identifying the Branches, subjects and areas where risks are concentrated.

Centralized control activities are conducted with the intention of shortening the durations of on-site controls, increasing the effectiveness of the controls carried out during this process, and achieving centralized control of operational risks. The data obtained from the central system database are analyzed, transactions that may pose risks in accordance with the defined criteria are reported and the results are analyzed centrally or on-site.

A team that will conduct regular inspections of the IT Department and its affiliated units (Channel Management-Card Payment Systems) that was created in 2012 was organized as a separate unit in 2013. As part of the recruitment initiative in 2013, the Bank bolstered the IT Control staff and improved control processes by adding five more Assistant Controllers to the existing staff. In addition, the Bank added financial reporting systems controls to the routine of regular inspections within the same unit in 2013; it also developed report-based controls via system and process inspections.

Pre-inspection studies of the issues that arise as a result of the control activities carried out by the Internal Control staff on request of the Senior Management of the Bank, the Members of the Board of Directors, the Board of Inspectors, the Head Office Units or the Regional Coordinator's Offices and the results of such study are reported. Information and documents that constitute the subject of the inspection activities are evaluated in detail during the inspection. Those issues which require inspection by an inspector are referred to the Board of Inspectors while those issues that can be resolved by taking administrative measures are referred to the related Head Office units.

The liability-incurring erroneous transactions that are identified by the Internal Control staff during centralized or on-sight inspection are referred to the Board of Inspectors for the determination of the administrative, financial and punitive liabilities. The Board of Inspectors also inspects the efficacy of the Internal Control activities.

In order to ensure that lending practice and business process related deficiencies are eliminated and operational risks are reduced, risks and their results identified in the inspections and the audit reports are effectively controlled and monitored and the results of this process are evaluated.

Pursuant to the new Internal Control Department Regulations that took effect in 2012, the Bank administered a recruitment exam and bolstered the staff numbers by hiring 63 new assistant internal controllers during 2013. The Bank also carried out training efforts at various levels and on various subjects in 2013 to improve the performance and skills base of the existing staff.

Risk Management

The Risk Management Department which is responsible for executing risk management functions conducts its activities in accordance with the provisions of the Regulation on Internal Systems of Banks published in Official Gazette No. 28337 dated June 28, 2012 by the Banking Regulation and Supervision Agency of Turkey under the supervision of the Audit Committee.

The Audit Committee has examined the reports on credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Audit Committee's Assessment on The Operation of The Internal Control, Internal Audit And Risk Management Systems And Information About Its Activities In 2013

Within this scope, it has been determined by the Audit Committee that:

- The Bank's Basel II Capital Adequacy ratio is at compatible levels with its risk appetite,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are generally satisfactory,
- Loan default rates are at reasonable levels,
- The Bank has achieved full compliance with the ratios and limits calculated within the scope of Basel III regulations,
- As a result of the stress tests and scenario analyses conducted, the Bank's equity capital is adequate for the Bank to continue its activities safely,
- The risks taken by the Bank are within the risk appetite limits set by the Board of Directors
- Considering the ratings of the companies the Bank lent to and the risk mitigation elements established, the Bank paid adequate attention to the element of security in its placement activities,
- The results of the "Internal Capital Adequacy Assessment Process (ICAAP)" report, commissioned to determine the Bank's economic capital requirements consistent with its target rating score, support the conclusion that the Bank has adequate equity to cover its risk exposure,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the limits stipulated by the Banking Regulation and Supervision Agency,
- Based on the results of the Value at Risk analysis conducted by the Bank with an internal model to measure market risk, the market risk the Bank is exposed to is at levels that can be covered by the Bank's equity,
- The Bank is fully compliant with the liquidity ratios mandated by the Banking Regulation and Supervision Agency,
- In light of the information recorded in the operational risk loss database, the Bank's operational loss incurred between January 2013 and December 2013 is at acceptable levels.

Ahmet YARIZ

Audit Committee Member

Sabahattin BİRDAL

Audit Committee Member

Financial Standing, Profitability And Debt-Servicing Capability

COMPOSITION OF ASSETS

As a result of its activities in 2013, the Bank's total assets grew by 29.2% to reach TRY 139,944 million.

The Bank's major placement categories consist of loans (TRY 84,848 million; 60.6% of assets), securities portfolio (TRY 28,559 million; 20.4% of assets) and liquid assets (TRY 21,825 million; 15.6% of assets) while the share of other placements stands at 3.4%.

The major increases as of year-end 2013 compared to the previous year were registered in Turkish Lira loans (TRY 18,954 million) and cash and balances with (TRY 7,488 million).

The Bank's loans increased by 28.8% as of year-end 2013 while its loan-to-deposit ratio stands at 84.2%.

The Bank's non-performing loans stand at TRY 2,245 million as of year-end 2013 and non-performing loans/total loans ratio stood at 2.6%.

COMPOSITION OF LIABILITIES

The Bank's resources consist primarily of deposits (TRY 100,756 million; 72.0% of liabilities), non-deposit resources (TRY 20,040 million; 14.3% of liabilities) and shareholders' equity (TRY 14,146 million; 10.1% of liabilities) while the share of other liabilities stands at 3.6%.

The major increases as of year-end 2013 compared to the previous year were registered in deposits (TRY 20,782 million) and Funds Borrowed (TRY 6,312 million).

A breakdown of total deposits, the largest single resource item for the Bank, by category reveals that savings deposits, which constitute 29.5% of total deposits, increased by TRY 2,506 million; foreign currency deposits, which constitute 27.3% of total deposits, increased by TRY 9,533 million; commercial deposits, which constitute 19.1% of total deposits, increased by TRY 6,312 million; interbank deposits, which constitute 9.8% of total deposits, increased by TRY 2,614 million; and public sector deposits, which constitute 8.9% of total deposits, increased by TRY 1,486 million.

TRY accounts, with a share of 64.7%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 35.3% of deposits. The share of demand deposits in total deposits stands at 18.6%.

COMPOSITION OF PROFITS

The Bank closed the 2013 fiscal year with a net profit of TRY 2,751 million, a 6% increase compared to year-end 2012. The major income and expense items that constituted the profit for the period are discussed below.

Interest income from placements, the Bank's most important source of income, stands at TRY 9,205 million as of the end of the year.

Financial Standing, Profitability And Debt-Servicing Capability

Loans contributed TRY 7,134 million to interest income with a share of 77.5% while securities contributed TRY 2,053 million, with a share of 22.3%. The interest income from loans increased by TRY 404 million while interest income from the securities portfolio decreased by TRY 186 million compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 3,839 million and 87.7% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2013. Total interest expenses with the TRY 537 million categorized as other interest expense added up to TRY 4,376 million for the year.

The Bank's net interest income as of the end of the year was TRY 4,829 million.

Net fee and commission income surged by 8.3% on the previous year and reached TRY 930 million.

The Bank set aside provisions of TRY 849 million against its loans and other receivables for its activities in 2013.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 2,655 million, increased by 28.6% on the previous year and reached TRY 1,084 million.

As a result of its activities in 2013, the Bank earned pre-tax profit of TRY 3,365 million and, after provisioning TRY 614 million for taxes, a net profit of TRY 2,751 million. The Bank maintained its sustainable profitability in 2013.

SOLVENCY

The widespread and strong Deposit base which is the most important resource for the Bank acted as an efficient instrument for covering short-term debt. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 95%; this ratio makes a large contribution to the Bank's liquidity.

The 2013 year end capital adequacy ratio of the Bank was 13.91%, above the minimum legal ratio. The equity structure, which is strengthened with sustainable profitability and the well-planned dividend distribution policy of the Bank, is on a level that can compensate the increased value subject to credit risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with more than two thousand correspondent banks, presence abroad and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2013, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

Risk Management Policies By Risk Types

The Bank developed its risk policies and implementation principles in accordance with the provisions of Article 36 of the “Regulation on Internal Systems of Banks” published in the Official Gazette No. 28337 dated June 28, 2012.

Halkbank’s risk policies aim to ensure that the Bank conducts its operations in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity while safeguarding the interests of the Bank’s depositors and the shareholders to the maximum extent possible.

The “Risk Management Policies and Implementation Procedures” that became effective pursuant to Board of Directors Resolution defines the following:

- Risk appetite of the Bank,
- Authorization limits with regard to credit transactions,
- Sector-specific limits,
- Principles of risk analyses to be conducted in relation to the rating systems used in the Bank’s lending process and the validation of these systems,
- Risk mitigation techniques by rating groups,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and money market transactions,
- Limits on the Bank’s foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank’s liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank’s economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,
- The Bank’s risk tolerance range regarding potential losses that may result from operational risks.

The Bank periodically checks compliance with these limits.

Rating Notes

Halkbank's credit ratings improved thanks to its solid reputation in international markets as well as the sustainability of its business model and financial results.

Fitch Ratings

Foreign Currency Long Term	BBB-
Outlook	Stable
Foreign Currency Short Term	F3
Local Currency Long Term	BBB
Outlook	Stable
Local Currency Short Term	F3
National Long Term	AAA (tur)
Outlook	Stable
Senior Unsecured Debt Issues	BBB-
Support	2
Support Rating Floor	BBB-
Viability Rating	bbb-

Moody's

Financial Strength Rating (BFSR)	D+
Outlook	Stable
Baseline Credit Assessment (BCA)	baa3
Long Term Deposit Rating Domestic Currency	Baa2
Outlook	Stable
Short Term Deposit Rating Domestic Currency	Prime 2
Long Term Deposit Rating Foreign Currency	Baa3
Outlook	Stable
Short Term Deposit Rating Foreign Currency	Prime 3

JCR Eurasia

Long Term International Foreign Currency	BBB-(Stable Outlook)
Long Term International Local Currency	BBB-(Stable Outlook)
Long Term National Local Rating	AAA(Trk)(Stable Outlook)
Short Term International Foreign Currency	A-3(Stable Outlook)
Short Term International Local Currency	A-3(Stable Outlook)
Short Term National Local Rating	A1+ (Trk)(Stable Outlook)
Sponsored Support	1
Stand-Alone	A

Five-Year Summary Financial Information

ASSETS (TRY million)	2009	2010	2011	2012	2013
Liquid Assets	4,552	5,759	8,747	15,120	21,825
Securities	21,373	20,207	23,346	22,954	28,559
Loans	32,458	44,296	56,216	65,894	84,848
Subsidiaries, Affiliates and Jointly- Controlled Subsidiaries	321	740	927	1,887	2,427
Fixed Assets	1,234	1,061	1,121	1,163	1,117
Other	712	879	767	1,264	1,168
Total Assets	60,650	72,942	91,124	108,282	139,994
LIABILITIES (TRY million)					
Deposits	43,950	54,782	66,247	79,974	100,756
Money Markets	5,762	3,155	4,905	381	771
Borrowings	2,032	3,824	6,291	7,303	13,615
Funds	1,316	1,295	1,345	1,408	1,489
Marketable Securities Issued	0	0	496	2,038	4,165
Other	1,830	2,441	3,200	4,855	5,002
Shareholders' Equity	5,760	7,445	8,640	12,323	14,146
Net Period Profit/Loss	1,631	2,010	2,045	2,595	2,751
Total Liabilities	60,650	72,942	91,124	108,282	139,944



**Türkiye Halk Bankası Anonim Şirketi
Unconsolidated Financial Statements
as of and for the Year Ended
31 December 2013 with Independent
Auditors' Report Thereon**



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Section 3.I)**

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013**

To the Board of Directors of Türkiye Halk Bankası AŞ:

We have audited the unconsolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") as of 31 December 2013 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying unconsolidated financial statements as of 31 December 2013 include a general reserve amounting to net TRY 132.231 thousands after the reversal of TRY 196.069 thousands in the current period and recorded as income, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ as of 31 December 2013 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul,
17 February 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.I, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/Istanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

The unconsolidated year end financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2013 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 17 February 2014

Hasan Cebeci
*Chairman of the Board of
Directors*

Ali Fuat Taşkesenlioğlu
*Member of the Board of
Directors,
Chief Executive Officer*

Sabahattin Birdal
*Member of the Board of
Directors,
Member of the Audit
Committee*

Ahmet Yarız
*Member of the Board of
Directors,
Member of the Audit
Committee*

Mehmet Hakan Atilla
*Financial Management and
Planning
Vice Chief Executive Officer (V.)*

Yusuf Duran Ocak
*Financial Accounting and
Reporting Department Head*

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Gönül Özdemir/Manager
Tel No : 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the "Bank" or "Halkbank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31 December 2013	%	31 December 2012	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.272	48,90	611.266	48,90
Other shareholders	452	0,04	458	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank's shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012, 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares are controlled and represented by the Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBECİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy Finance	34
Süleyman KALKAN	Vice Chairman of the Board of Directors	14.2013	Ankara University, Faculty of Political Science - International Relations Department.	30
Ali Fuat TAŞKESENİOĞLU ^(*)	Member of the Board of Directors, Chief Executive Officer	7.2.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	26
Süleyman ASLAN ^(**)	Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences-International Relations Department.	21
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University-Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU - Faculty of Engineering-Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. - International Banking. Bachelor Degree: Anadolu Uni. Afyon. Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
İsmail Erol İŞBİLEN	Member of the Board of Directors	14.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences - Economy and Public Finance Department	28
Faruk ÖZÇELİK	Member of the Audit Committee	29.3.2013 ^(*)	Master's Degree: Selcuk University Social Sciences Ins.-International Relations. Ankara Uni. Faculty of Political Science-Business Administration.	3
Ali ARSLAN	Member of the Audit Committee	29.3.2013 ^(*)	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Çukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	24
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	24
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	22
Selahattin SÜLEYMANOĞLU	Executive Vice President	17.2007	Master Degree: Selcuk University Social Sciences Ins.-International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences -Economics.	27
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences-Economics.	27
Ufuk Hacer DENİZCI YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering	24
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange	27
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy - Faculty of Management Sciences - Department of Social Politics.	29
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences-Department of Economics.	21
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences-Department of Economics.	18
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Faculty of Economic and Administrative Sciences-Department of Economics	15

(*) Assigned date for Audit Committee.

(**) Mr. Süleyman ASLAN had been on duty both as member of Board of Directors and the Chief Executive Officer of the Bank until 7 February 2014. As of this date he has continues on his duties as a member of Board of Directors of the Bank. The Istanbul Chief Public Prosecutor's Office has included Mr. Süleyman ASLAN for the scope of judicial inquiry.

(***) Mr. Ali Fuat TAŞKESENİOĞLU is assigned as a member of Board of Directors and Chief Executive Officer of Halkbank on 7 February 2014.

People mentioned above do not own any shares in the Bank's capital.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a) The professionals to the Bank's top management who have assigned to their position in 2013 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Süleyman KALKAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
Ismail Erol İŞBİLEN	Member of the Board of Directors	29 March 2013

b) The professionals from the Bank's top management who have left their position in 2013 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Mehmet Emin ÖZCAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
Hikmet Aydın SİMİT	Member of the Board of Directors	29 March 2013
Ahmet KAHRAMAN	Member of the Board of Directors	29 December 2013

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Bank.

V. SUMMARY ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of this amendment, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa Istanbul A.Ş. as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012, 23.92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamemeter Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2013, the Bank operates with a total of 877 branches consisting of 872 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 38 satellite branches and 2 financial services branches. The Bank has also 1 representative office in Iran.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. A.Ş., is not accounted in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. A.Ş. is included in the scope of consolidation by-line by-line method.

The Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control.

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediately transfer of the shareholder's equity between the Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution Table

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current period 31 December 2013			Audited Prior period 31 December 2012		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.801.119	17.174.665	19.975.784	1.606.833	10.880.910	12.487.743
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	11.871	151.662	163.533	10.983	93.794	104.777
21 Trading financial assets		11.871	151.662	163.533	10.983	93.794	104.777
211 Public sector debt securities		8.331	11.843	20.174	8.486	10.532	19.018
212 Share certificates		-	-	-	-	-	-
213 Financial assets held for trading		3	139.684	139.687	5	83.151	83.156
214 Other marketable securities		3.537	135	3.672	2.492	111	2.603
22 Financial assets at fair value through profit and loss		-	-	-	-	-	-
221 Public sector debt securities		-	-	-	-	-	-
222 Share certificates		-	-	-	-	-	-
223 Loans		-	-	-	-	-	-
224 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	109.740	1.739.036	1.848.776	206.650	2.412.762	2.619.412
IV. MONEY MARKET PLACEMENTS		-	-	-	10.027	2.328	12.355
41 Interbank money market placements		-	-	-	10.027	2.328	12.355
42 Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
43 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	7.446.090	2.094.658	9.540.748	8.573.423	820.239	9.393.662
51 Share certificates		61.839	2.313	64.152	8.137	2.313	10.450
52 Public sector debt securities		7.384.251	2.092.345	9.476.596	8.565.286	817.926	9.383.212
53 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	60.059.891	24.788.399	84.848.290	48.071.856	17.821.982	65.893.838
61 Loans and receivables		59.625.042	24.788.399	84.413.441	47.728.848	17.821.982	65.550.830
611 Loans extended to risk group of the Bank		116.312	384.799	501.111	93.407	206.320	299.727
612 Public sector debt securities		-	-	-	-	-	-
613 Other		59.508.730	24.403.600	83.912.330	47.635.441	17.615.662	65.251.103
62 Loans under follow-up		2.245.176	-	2.245.176	1.959.646	-	1.959.646
63 Specific provisions (-)		1.810.327	-	1.810.327	1.616.638	-	1.616.638
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	17.787.879	1.066.707	18.854.586	12.146.534	1.308.981	13.455.515
81 Public sector debt securities		17.787.879	1.066.707	18.854.586	12.146.534	1.308.981	13.455.515
82 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	17.837	74.716	92.553	18.172	74.716	92.888
91 Accounted under equity method		-	-	-	-	-	-
92 Unconsolidated associates		17.837	74.716	92.553	18.172	74.716	92.888
921 Financial investments		11.518	74.716	86.234	11.518	74.716	86.234
922 Non-financial investments		6.319	-	6.319	6.654	-	6.654
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	2.188.904	145.359	2.334.263	1.648.801	145.359	1.794.160
101 Unconsolidated financial subsidiaries		2.158.300	145.359	2.303.659	1.648.801	145.359	1.794.160
102 Unconsolidated non-financial subsidiaries		30.604	-	30.604	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
111 Accounted under equity method		-	-	-	-	-	-
112 Unconsolidated joint ventures		-	-	-	-	-	-
1121 Financial joint ventures		-	-	-	-	-	-
1122 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
121 Finance lease receivables		-	-	-	-	-	-
122 Operating lease receivables		-	-	-	-	-	-
123 Other		-	-	-	-	-	-
124 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
131 Fair value risk hedging		-	-	-	-	-	-
132 Cash flow risk hedging		-	-	-	-	-	-
133 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1.067.725	89	1.067.814	1.123.161	4	1.123.165
XV. INTANGIBLE ASSETS (Net)	(13)	45.147	-	45.147	37.285	-	37.285
151 Goodwill		-	-	-	-	-	-
152 Other		45.147	-	45.147	37.285	-	37.285
XVI. INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	-	-	-	224.281	-	224.281
171 Current tax asset		-	-	-	-	-	-
172 Deferred tax asset		-	-	-	224.281	-	224.281
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	4.112	-	4.112	2.976	-	2,976
181 Held for sale purpose		4.112	-	4,112	2,976	-	2,976
182 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1.127.307	40.594	1.167.901	981.466	58.113	1.039.579
TOTAL ASSETS		92.667.622	47.275.885	139.943.507	74.662.448	33.619.188	108.281.636

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Audited Current period			Audited Prior period		
		31 December 2013			31 December 2012		
		TRY	FC	Total	TRY	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. DEPOSITS	(1)	65.201.782	35.554.415	100.756.197	54.150.513	25.823.388	79.973.901
11 Deposits Held by the Risk Group of the Bank		847848	113756	961604	541356	37743	579099
12 Other		64.353934	35.440659	99794593	53609157	25.785645	79.394802
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	30	43.818	43.848	14	50.652	50.666
III. FUNDS BORROWED	(3)	837.988	12.777.167	13.615.155	545.198	6.758.137	7.303.335
IV. MONEY MARKET BALANCES	(3)	771.416	-	771.416	71.008	310.222	381.230
41 Interbank money market borrowings		-	-	-	-	-	-
42 Istanbul Stock Exchange Takasbank borrowings		-	-	-	-	-	-
43 Funds from repurchase agreements		771416	-	771416	71008	310222	381230
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	946.297	3.218.387	4.164.684	692.270	1.346.168	2.038.438
51 Treasury bills		946297	-	946297	692270	-	692270
52 Asset-backed securities		-	-	-	-	-	-
53 Bonds		-	3.218.387	3.218.387	-	1.346.168	1.346.168
VI. FUNDS	(5)	1.488.542	-	1.488.542	1.407.887	-	1.407.887
61 Borrower Funds		24702	-	24702	27221	-	27221
62 Other		1.463.840	-	1.463.840	1.380.666	-	1.380.666
VII. SUNDRY CREDITORS		1.543.681	80.372	1.624.053	1.139.692	63.725	1.203.417
VIII. OTHER LIABILITIES	(6)	953.828	280.768	1.234.596	1.108.387	161.659	1.270.046
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	1.390	-	1.390	1.240	-	1.240
101 Finance lease payables		1751	-	1751	1737	-	1737
102 Operating lease payables		-	-	-	-	-	-
103 Other		-	-	-	-	-	-
104 Deferred finance lease expenses (-)		361	-	361	497	-	497
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
111 Fair value risk hedging		-	-	-	-	-	-
112 Cash flow risk hedging		-	-	-	-	-	-
113 Net foreign investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	1.897.032	3.204	1.900.236	1.809.867	16.970	1.826.837
121 General loan provisions		1134717	-	1134717	972148	-	972148
122 Restructuring provisions		-	-	-	-	-	-
123 Employee benefits provisions		515688	-	515688	401748	-	401748
124 Insurance technical reserves (Net)		-	-	-	-	-	-
125 Other provisions		246627	3204	249831	435971	16970	452941
XIII. TAX LIABILITY	(10)	197.595	22	197.617	501.681	3	501.684
131 Current tax liability		189292	22	189314	501681	3	501684
132 Deferred tax liability		8303	-	8303	-	-	-
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
141 Held for sale purpose		-	-	-	-	-	-
142 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	14.291.687	(145.914)	14.145.773	12.277.714	45.241	12.322.955
161 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
162 Capital reserves		2.186.832	(145.914)	2.040.918	2.379.703	45.241	2.424.944
1621 Share Premium		-	-	-	-	-	-
1622 Share cancellation profits		-	-	-	-	-	-
1623 Marketable securities revaluation fund		959464	(145.914)	813550	1.154.283	45.241	1.199.524
1624 Tangible assets revaluation reserves		-	-	-	-	-	-
1625 Intangible assets revaluation reserves		-	-	-	-	-	-
1626 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
1627 Bonus shares of subsidiaries, associates and joint ventures		697	-	697	4969	-	4969
1628 Hedging Funds (effective portion)		-	-	-	-	-	-
1629 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16210 Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451
163 Profit reserves		8104012	-	8104012	6.052.800	-	6.052.800
1631 Legal reserves		1048602	-	1048602	884336	-	884336
1632 Statutory reserves		-	-	-	-	-	-
1633 Extraordinary reserves		6.993.085	-	6.993.085	5.113.614	-	5.113.614
1634 Other profit reserves		62325	-	62325	54.850	-	54.850
164 Profit/Loss		2.750.843	-	2.750.843	2.595.211	-	2.595.211
1641 Prior years income/loss		-	-	-	-	-	-
1642 Period profit/loss		2.750.843	-	2.750.843	2.595.211	-	2.595.211
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		88.131.268	51.812.239	139.943.507	73.705.471	34.576.165	108.281.636

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	Audited Current period 31 December 2013			Audited Prior period 31 December 2012		
		TRY	FC	Total	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (H+H+HII)		35,741,926	31,187,469	66,929,395	23,574,555	19,925,871	43,500,426
I. GUARANTEES AND SURETYSHIPS	(1)	12,612,483	14,225,694	27,038,177	9,759,258	9,974,945	19,734,203
11 Letters of guarantee		12,237,89	3110,393	20,347,537		9,448,913	5,742,799
111 Guarantees subject to public procurement law		1,070,118	6,452,989	7,523,107		613,927	4,505,391
112 Guarantees given for foreign trade operations		-	-	-		-	-
113 Other letters of guarantee		1,116,702	1,657,409	2,824,430		883,4196	1,237,398
12 Bank loans		90,489	1,854,314	1,944,803	31,047	1,152,260	1,183,307
121 Import acceptances		-	165,770	165,770	-	138,974	138,974
12.2 Other bank acceptances		90,489	1,688,544	1,779,033	31,047	953,286	984,333
13 Letters of credit		2,062	3,787,344	3,789,406	1,661	2,806,361	2,808,022
131 Documentary letters of credit		2,062	3,787,344	3,789,406	1,661	2,806,361	2,808,022
132 Other letters of credit		-	-	-	-	-	-
14 Guaranteed prefinancings		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
151 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
15.2 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		482,563	473,638	956,201	278,197	273,535	551,732
19 Other surety ships		230	-	230	230	-	230
II. COMMITMENTS	(1)	17,851,286	11,342,293	18,985,579	12,728,819	1,427,212	14,156,031
21 Irrevocable commitments		17,851,286	11,342,293	18,985,579	12,728,819	1,427,212	14,156,031
211 Forward asset purchase commitments		619,400	842,453	1,461,853	114,683	119,437	1,309,055
212 Forward deposit purchase and sale commitments		-	-	-	-	-	-
213 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
214 Loan granting commitments		1,280,418	291,840	1,572,258	820,602	232,840	1,053,442
215 Securities underwriting commitments		-	-	-	-	-	-
216 Payment commitments for reserve deposits		-	-	-	-	-	-
217 Payment commitments for cheques		467,029	-	467,029	457,929	-	457,929
218 Tax and fund liabilities from export commitments		13,413	-	13,413	13,903	-	13,903
219 Commitments for credit card expenditure limits		9,883,048	-	9,883,048	6,013,182	-	6,013,182
2110 Commitments for credit cards and banking services promotions		3,7663	-	3,7663	30,707	-	30,707
2111 Receivables from short sale commitments		-	-	-	-	-	-
2112 Payables for short sale commitments		-	-	-	-	-	-
2113 Other irrevocable commitments		1,347,049	-	1,347,049	1,159,813	-	1,159,813
22 Revocable commitments		-	-	-	-	-	-
221 Revocable loan granting commitments		-	-	-	-	-	-
22.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		5,078,157	15,827,482	20,905,639	1,086,478	8,523,714	9,610,192
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
311 Fair value risk hedging transactions		-	-	-	-	-	-
312 Cash flow risk hedging transactions		-	-	-	-	-	-
313 Net foreign investment risk hedging transactions		-	-	-	-	-	-
32 Transactions for trading		5,078,157	15,827,482	20,905,639	1,086,478	8,523,714	9,610,192
32.1 Forward foreign currency buy/sell transactions		714,053	10,443,14	17,583,67	290,326	11,244,23	1,414,749
32.11 Forward foreign currency transactions-buy		331,254	6,221,28	9,533,82	13,7840	5,238,50	6,616,90
32.12 Forward foreign currency transactions-sell		382,799	4,221,86	8,049,85	152,486	6,005,73	753,059
32.2 Currency and interest rate swaps		4,251,671	14,489,241	18,740,912	594,655	6,634,821	7,229,476
32.21 Currency swap-buy		-	8,732,436	8,732,436	-	3,633,289	3,633,289
32.2.2 Currency swap-sell		4,251,671	4,400,005	8,656,767	594,655	3,001,532	3,596,187
32.2.3 Interest rate swap-buy		-	6,784,000	6,784,000	-	-	-
32.2.4 Interest rate swap-sell		-	6,784,000	6,784,000	-	-	-
32.3 Currency, interest rate and marketable securities options		112,433	138,604	251,037	142,397	138,737	281,134
32.31 Currency call options		56,220	69,298	125,518	71,95	69,373	140,568
32.32 Currency put options		56,213	69,306	125,519	71,202	69,364	140,566
32.3.3 Interest rate call options		-	-	-	-	-	-
32.3.4 Interest rate put options		-	-	-	-	-	-
32.3.5 Marketable securities call options		-	-	-	-	-	-
32.3.6 Marketable securities put options		-	-	-	-	-	-
32.4 Currency futures		-	-	-	-	-	-
32.41 Currency futures-buy		-	-	-	-	-	-
32.4.2 Currency futures-sell		-	-	-	-	-	-
32.5 Interest rate buy/sell futures		-	-	-	-	-	-
32.5.1 Interest rate futures-buy		-	-	-	-	-	-
32.5.2 Interest rate futures-sell		-	-	-	-	-	-
32.6 Other		-	155,323	155,323	591,000	625,733	684,833
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		321,233,121	72,529,896	393,763,017	704,252,711	371,861,692	1,076,114,403
IV. CUSTODIES		135,196,837	10,910,244	146,107,081	104,096,962	7,950,683	112,047,645
41 Assets under management		-	-	-	-	-	-
42 Custody marketable securities		43,376,098	355,831	43,731,929	34,773,375	261,407	35,034,782
43 Cheques in collection process		9,512,510	8,065,593	17,578,103	6,835,897	5,949,001	12,784,898
44 Commercial notes in collection process		59,338,391	3,098,993	59,648,284	44,209,012	264,451	44,473,463
45 Other assets in collection process		-	-	-	71	-	71
46 Underwritten securities		15	-	15	279	-	279
47 Other custodies		8,222	1,691	9,919	3,858	3,280	718
48 Custodians		22,961,595	217,236	25,138,831	18,274,470	14,725,444	19,747,014
V. PLEDGED ASSETS		186,036,284	61,619,652	247,655,936	600,155,749	363,911,009	964,066,758
51 Marketable securities		2,515,437	112,204	2,627,641	1,882,364	89,705	1,972,069
52 Collateral notes		5,642,469	5,333,300	617,599	5,298,088	391,834	5,689,922
53 Commodity		25,830	-	25,830	25,830	-	25,830
54 Warranty		-	-	-	-	-	-
55 Land and buildings		142,665,688	47,405,559	190,071,247	119,576,819	37,487,018	157,063,837
56 Other pledged assets		32,206,181	12,594,731	44,800,912	47,082,072	325,350,311	796,212,203
57 Pledges		2,980,679	973,628	3,954,307	2,510,576	592,321	3,102,897
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		356,975,047	103,717,365	460,692,412	727,827,266	391,787,563	1,119,614,829

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	Audited
		Current period 1 January- 31 December 2013	Prior period 1 January- 31 December 2012
I. INTEREST INCOME	(1)	9.204.643	8.990.983
1.1 Interest on loans		7134.261	6.730.541
1.2 Interest received from reserve deposits		338	348
1.3 Interest received from banks		10.883	12.181
1.4 Interest received from money market placements		1.299	6.526
1.5 Interest income on marketable securities		2.053.202	2.238.713
1.5.1 Financial assets held for trading		2.540	1.647
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		763.944	806.292
1.5.4 Investments held-to-maturity		1.286.718	1.430.774
1.6 Finance lease income		-	-
1.7 Other interest income		4.660	2.674
II. INTEREST EXPENSE	(2)	4.375.645	4.514.906
2.1 Interest on deposits		3.839.052	4.084.300
2.2 Interest on borrowings		221.759	149.255
2.3 Interest on money market borrowings		84.331	134.448
2.4 Interest on bonds issued		178.206	96.597
2.5 Other interest expense		52.297	50.306
III. NET INTEREST INCOME [I - II]		4.828.998	4.476.077
IV. NET FEES AND COMMISSIONS INCOME		930.006	858.424
4.1 Fees and commissions income		1.186.965	1.023.432
4.1.1 Non-cash loans		160.772	122.853
4.1.2 Other		1.026.193	900.579
4.2 Fees and commissions expenses		256.959	165.008
4.2.1 Non-cash loans		6	9
4.2.2 Other		256.953	164.999
V. DIVIDEND INCOME	(3)	97.468	64.024
VI. NET TRADING PROFIT (NET)	(4)	244.443	554.644
6.1 Profit/loss from capital market operations		322.837	385.274
6.2 Profit/loss from financial derivative transactions		470.853	(207.837)
6.3 Foreign exchange gains/losses		(549.247)	377.207
VII. OTHER OPERATING INCOME	(5)	767.638	360.242
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.868.553	6.313.411
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	848.742	886.616
X. OTHER OPERATING EXPENSES(-)	(7)	2.654.919	2.097.656
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		3.364.892	3.329.139
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	3.364.892	3.329.139
XVI. TAX INCOME PROVISION (±)	(9)	(614.049)	(733.928)
16.1 Current tax provision		(262.808)	(1.021.768)
16.2 Deferred tax provision		(351.241)	287.840
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.750.843	2.595.211
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET PROFIT/(LOSS) (XVII±XXII)	(11)	2.750.843	2.595.211
Earnings/losses per share (Full TRY)		2,20067	2,07617

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited	Audited
	Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January- 31 December 2013	1 January- 31 December 2012
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(516.086)	792.305
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	7.669
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	809.721
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	20.878	547
IX. DEFERRED TAX OF VALUATION DIFFERENCES	118.657	(135.724)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(376.551)	1.474.518
XI. PROFIT/LOSS	2.750.843	2.595.211
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	297.714	369.244
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	2.453.129	2.225.967
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.374.292	4.069.729

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Note	Paid-in capital	Effect of interest adjustments on paid in capital	Share premium	Share cancellation profit	Legal reserves	Statutory reserves	Extra- ordinary reserves	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)	Valuation changes in prop. and sec. int. assets	Revoluation prop. and sec. int. assets	Bonus shares from Hedging funds	Value change in prop. and sec. int. assets for sale	Total shareholders' equity
I. Balance at end of prior period	120,461	120,461	-	-	-	749,662	3,993,934	4,781	204,634	-	-	2,667,791	-	4,422	-	863,999,956
II. Changes within the period																
1. The effects of changes in accounting policy																
2. The effects of corrections of errors																
III. New balance (I+II)	120,461	120,461	-	-	-	749,662	3,993,934	4,781	204,634	-	-	2,667,791	-	4,422	-	863,999,956
IV. Changes within the period																
V. Valuation changes in marketable securities												1,466,302	-	-	-	1,466,302
VI. Hedging funds (effective portion)												-	-	-	-	-
61. Cash flow hedge												-	-	-	-	-
62. Fair value hedge												-	-	-	-	-
VI. Revaluation changes of intangible assets												-	-	-	-	-
VII. Revaluation changes of property and equipment												-	-	-	-	-
VIII. Revaluation changes of intangible assets												-	-	-	-	-
IX. Bonus shares from investment and associates, subsidiaries and joint ventures (business partner)												-	-	547	-	547
X. Foreign exchange differences									7,669			-	-	-	-	7,669
XI. Changes after reclassification of securities												-	-	-	-	-
XII. Changes after reclassification of securities												-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity												-	-	-	-	-
XIV. Increase in capital												-	-	-	-	-
14.1. From internal resources												-	-	-	-	-
14.2. From external resources												-	-	-	-	-
XV. Issuance of share certificates at end of period												-	-	-	-	-
XVI. Share cancellation profits												-	-	-	-	-
XVII. Adjustment to paid-in capital												-	-	-	-	-
XVIII. Net profit or losses									2,995,211			-	-	-	-	2,995,211
XIX. Profit distribution									(2,045,134)			-	-	-	-	(865,770)
20.1. Dividends distributed									(657,770)			-	-	-	-	(657,770)
20.2. Transfers to legal reserves									(1,387,364)			-	-	-	-	(1,387,364)
20.3. Transfers to legal reserves									(209,994)			-	-	-	-	(209,994)
XX. Closing balance	120,461	120,461	-	-	-	884,336	5,133,614	54,880	2,995,211	-	-	1,993,524	-	4,969	-	12,322,955
I. Closing balance 31 December 2013																
1. Balance at end of prior period	120,461	120,461	-	-	-	884,336	5,133,614	54,880	2,995,211	-	-	1,993,524	-	4,969	-	12,322,955
II. Changes within the period																
III. Valuation changes in marketable securities												(383,643)	-	-	-	(383,643)
IV. Hedging Funds (effective portion)												-	-	-	-	-
41. Cash flow hedge												-	-	-	-	-
42. Fair value hedge												-	-	-	-	-
43. Expenses for investments made in foreign countries												-	-	-	-	-
44. Revaluation changes of intangible assets												-	-	-	-	-
45. Revaluation changes of property and equipment												-	-	-	-	-
VI. Bonus shares from investment and associates, subsidiaries and joint ventures (business partner)												-	-	1,948	-	1,948
VII. Foreign exchange differences									(7,669)			-	-	-	-	(7,669)
VIII. Changes after reclassification of securities												-	-	-	-	-
IX. Changes after reclassification of securities												-	-	-	-	-
X. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity												-	-	-	-	-
XI. Increase in capital												-	-	-	-	-
11.1. From internal resources												-	-	-	-	-
11.2. From external resources												-	-	-	-	-
XII. Issuance of share certificates at end of period												-	-	-	-	-
XIII. Share cancellation profits												-	-	-	-	-
XIV. Adjustment to paid-in capital												-	-	-	-	-
XV. Net profit or losses									5,184			-	-	-	-	5,184
XVI. Profit distribution									(2,595,210)			-	-	-	-	(2,595,210)
81. Dividends distributed									(654,440)			-	-	-	-	(654,440)
82. Transfers to legal reserves									(1,940,770)			-	-	-	-	(1,940,770)
83. Transfers to legal reserves									(209,994)			-	-	-	-	(209,994)
XX. Closing balance	120,461	120,461	-	-	-	1,048,602	6,930,005	62,225	2,730,943	-	-	88,550	-	6,971	-	14,165,773

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

		Audited Current period	Audited Prior period
	Note	31 December 2013	31 December 2012
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	2.536.081	4.044.084
1.11	Interest received	8.703.727	9.217.989
1.12	Interest paid	(3.574.895)	(4.432.574)
1.13	Dividend received	9.718	622
1.14	Fees and commissions received	1.186.965	1.023.432
1.15	Other income	519.290	187.941
1.16	Collections from previously written off loans	551.439	479.026
1.17	Cash payments to personnel and service suppliers	(1.112.977)	(870.456)
1.18	Taxes paid	(679.899)	(795.523)
1.19	Other	(1) (3.067.287)	(766.373)
1.2	Assets and Liabilities Subject to Banking Operations	2.781.230	(5.260.269)
1.21	Net decrease in financial assets held for sale	(2.942)	13.344
1.22	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.23	Net (increase) decrease in due from banks and other financial institutions	(6.000)	-
1.24	Net (increase) decrease in loans	(18.888.493)	(9.845.777)
1.25	Net (increase) decrease in other assets	(6.052.205)	(6.307.320)
1.26	Net increase (decrease) in bank deposits	2.610.271	451.160
1.27	Net increase (decrease) in other deposits	18.104.232	13.224.389
1.28	Net increase (decrease) in loans borrowed	6.278.279	1.011.237
1.29	Net increase (decrease) in matured payables	-	-
1.210	Net increase (decrease) in other liabilities	(1) 738.088	(3.807.302)
I.	Net cash provided from banking operations	5.317.311	(1.216.185)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/ (used in) investing activities	(5.746.424)	1.107.029
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(167.590)	(88.882)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	1.512
2.3	Fixed assets purchases	(290.959)	(303.169)
2.4	Fixed assets sales	235.905	174.811
2.5	Cash paid for purchase of financial assets available for sale	(11.818.797)	(3.937.035)
2.6	Cash obtained from sale of financial assets available for sale	7.587.200	4.882.876
2.7	Cash paid for purchase of investment securities	(3.780.572)	(2.045.413)
2.8	Cash obtained from sale of investment securities	2.498.722	2.434.176
2.9	Other	(10.333)	(11.847)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash used in financing activities	893.702	1.113.464
3.1	Cash obtained from loans borrowed and securities issued	3.695.026	2.736.132
3.2	Cash used for repayment of loans borrowed and securities issued	(2.250.000)	(1.235.320)
3.3	Bonds issued	-	-
3.4	Dividends paid	(551.474)	(386.770)
3.5	Payments for finance leases	(453)	(503)
3.6	Other	603	(75)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1) 638.245	(516.724)
V.	Net increase / (decrease) in cash and cash equivalents	1.102.834	487.584
VI.	Cash and cash equivalents at beginning of the period	(4) 5.269.486	4.781.902
VII.	Cash and cash equivalents at end of the period	(5) 6.372.320	5.269.486

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE

	Audited Current period 31 December 2013 ⁽¹⁾	Audited Prior period 31 December 2012
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	3.364.892	3.329.139
1.2. Taxes and Legal Duties Payables (-)	614.049	733.928
1.2.1. Corporate Tax (Income Tax)	262.808	1.021.768
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	351.241	(287.840)
A. Net Profit For The Period (1.1-1.2)	2.750.843	2.595.211
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	115.370
1.5. Other Statutory Reserves (-)	-	287.840
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	2.750.843	2.192.001
1.6. First Dividend to shareholders (-)	-	62.500
1.6.1. To Owners of Ordinary Shares	-	62.500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	90.000
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	398.974
1.9.1. To Owners of Ordinary Shares	-	398.974
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	48.897
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1.591.630
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	2.2007	2.0762
3.2. To Owners of Ordinary Shares (%)	%2201	%2076
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares	-	0.3692
4.2. To Owners of Ordinary Shares (%)	-	%36.92
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ As of 31 December 2013, Board of Directors meeting was not held.

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), Communiqué on "Banks' Accounting Practice and Maintaining Documents" and other communiqués and interpretations of Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting.

The accounting policies applied and the valuation methods used in the preparation of the financial statements are expressed in detail below.

Additional paragraph for convenience translation to English

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

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

a) The Bank's strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from foreign borrowing and money market borrowing.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Asset and Liability Committee meetings.

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, forwards and credit default swaps. The Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

V. FEES AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

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Financial Assets Held for Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained are recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

2.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Bank has not any financial assets at fair value through profit and loss as of 31 December 2013 and 31 December 2012.

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

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Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified 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 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

6. Associates and subsidiaries:

Turkish Lira denominated associates and subsidiaries have been valued based on deducted additions of funds such as revaluation funds, permitted additions to capital under statutory purposes, from the cost of the indexed remaining balances of associate and subsidiary based on the capital increase payment dates until 31 December 2004.

As of 1 January 2012, the Bank changed the accounting policy which is related to the Turkish Lira denominated subsidiaries and began to record related subsidiaries with their fair values. Fair values of the subsidiaries, whose shares are unquoted on the active market (stock exchange) are determined with the valuation reports that are prepared by the independent valuation company and fair values of the subsidiaries, whose shares are quoted in on active market (stock exchange) are determined by taking into account of book values at stock exchange, valuation differences are added to the subsidiaries values and correspondingly recorded in the "Marketable securities revaluation fund" under the shareholders' equity.

Foreign currency denominated associates and subsidiaries are translated into Turkish Lira from the historical exchange rates at transaction dates and foreign currency associates purchased before 1 January 2005 recorded over their restated values by the occurred indexes at transaction dates until 31 December 2004.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

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Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets 100% provision for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Other than specific allowances, the Bank provides "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. The Bank is providing 1% general allowance for cash loans and other receivables; 0.2% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 18 June 2011 No: 27968 Official Gazette, the Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

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In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

VIII. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

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XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss. Leasehold improvements are depreciated over the lease period by straight line method.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4-50%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

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XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union contracts, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees, who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Bank has been determined by the actuarial report of an independent valuation company. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders' equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years. According to the decree of Council of Ministers dated 3 May 2013 and numbered 3, which was published on the Gazette on 8 April 2013, the related transfer period was prolonged one more year.

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In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2013 and 31 December 2012, no technical deficit has been reported.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 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 against the corporate tax liability for the year. Accrued advance tax as of 31 December 2012 has been paid in April 2013, accrued advance tax as of 31 December 2013 will be paid in February 2014.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

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Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are recognized as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Bank.

The Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007.

As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Bank's business segmentation and related information is explained in section four, disclosure numbered XII.

XXII. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012. The solo basis capital adequacy ratio of the Bank is 13,91% as of 31 December 2013. (31 December 2012: 16,17%)

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Bank uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders' equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks". Besides, the provisions which are defined in "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside" and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is used.

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1. Information on the unconsolidated capital adequacy ratio:

Current period	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233
Risk classifications:									
Claims on sovereigns and Central Banks	37852.013	-	3.019	2.962.044	-	-	-	-	-
Claims on regional governments or local authorities	12.789	-	146.101	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	5.994	-	90.171	-	-	198.700	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	905.334	-	2.847.484	1.249.649	-	77.716	-	-	-
Claims on corporates	352.281	-	196.735	116.148	-	38.105.789	-	-	-
Claims included in the regulatory retail portfolios	1.360.345	-	121.908	-	24.348.943	581.744	-	-	-
Claims secured by residential property	24.109	-	5.046	20.362.629	-	-	-	-	-
Overdue loans	-	-	-	131.082	-	303.767	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.887.984	8126.295	22.093
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	2.831.355	-	437.091	-	268.563	3.427.940	-	-	-

Prior period	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Surplus credit risk weighted	-	-	1.125.474	9.781.931	16.207.062	30.907.354	1.853.915	10.130.710	-
Risk classifications:									
Claims on sovereigns and Central Banks	24.075.410	-	787	2.685.080	-	-	-	-	-
Claims on regional governments or local authorities	4.968	-	310.528	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	651	-	41.194	-	-	58.646	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	636.524	-	4.482.971	891.073	-	46.804	-	-	-
Claims on corporates	385.981	-	156.806	-	-	27.422.636	-	-	-
Claims included in the regulatory retail portfolios	1.174.808	-	131.417	-	21.174.404	-	-	-	-
Claims secured by residential property	25.367	-	2.649	15.845.450	-	-	-	-	-
Overdue loans	-	-	-	119.461	-	223.547	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.235.943	5.065.355	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	2.713.731	-	501.019	22.798	435.012	3.155.721	-	-	-

2. Capital adequacy ratio summary:

	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	7.478.310	5.600.516
B Capital to be employed for market risk (II)	243.150	133.905
C Capital to be employed for operational risk (III)	712.998	601.101
Shareholders' equity	14.663.982	12.808.583
Shareholders' equity / (I+II+III) * 12.5*100	13,91	16,17

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3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-
Adjustment to paid-in capital	1.220.451	1.220.451
Share premium	-	-
Share repeal	-	-
Legal reserves	8.104.012	6.052.800
Adjustment to legal reserves	-	-
Profit	2.750.843	2.595.211
<i>Net current period profit</i>	2.750.843	2.595.211
<i>Prior period profit</i>	-	-
Provisions for possible losses up to 25% of core capital	132.231	328.300
Profit on sale of associates, subsidiaries and buildings	-	-
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
<i>Net current period loss</i>	-	-
<i>Prior period loss</i>	-	-
Development cost of operating lease (-)	69.633	78.860
Intangible assets (-)	45.147	37.285
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	13.342.757	11.330.617
SUPPLEMENTARY CAPITAL		
General reserves	1.134.717	972.148
45% of increase in revaluation fund of movables	-	-
45% of increase in revaluation fund of fixed assets	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.917	4.969
Primary subordinated loans which are ignored in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45% of value increase (100% of value decrease) fund of financial assets available for sale and associates and subsidiaries	210.732	539.786
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-
Total Supplementary Capital	1.352.366	1.516.903
CAPITAL	14.695.123	12.847.520
DEDUCTIONS FROM THE CAPITAL	31.141	38.937
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	29.717	36.311
Securitization positions that is deducted-preferably-from the shareholders' equity	-	-
Other	1.424	2.626
TOTAL SHAREHOLDERS' EQUITY	14.663.982	12.808.583

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4. Information on assessment process of internal capital adequacy requirements:

The Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by Bank. In the analyses, credit risk, market risk, operational risks and asset-liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Bank takes one year period into account in its calculations.

II. EXPLANATIONS RELATED TO THE CREDIT RISK

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2013, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,71% and 25,49% of its total cash loans.

As of 31 December 2013, receivables of the Bank from its top 100 and 200 non-cash loan customers are respectively 55,51% and 65,50% of its total non-cash loans.

As of 31 December 2013, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 16,47% and 20,54% of its total balance sheet and off-balance sheet assets.

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As of 31 December 2013, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.134.717 (31 December 2012: TRY 972.148).

Risk Classifications:	Current		Prior	
	Period Risk Amount ^(*)	Average Risk Amount ^(**)	Period Risk Amount ^(*)	Average Risk Amount ^(***)
Claims on sovereigns and Central Banks	40.817.076	31.216.901	26.761.277	25.986.450
Claims on regional governments or local authorities	158.890	258.595	315.496	324.404
Claims on administrative bodies and other non-commercial undertakings	294.865	192.117	100.491	128.696
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.080.183	4.732.496	6.057.372	3.988.414
Claims on corporates	38.770.953	32.707.694	27.965.423	27.872.984
Claims included in the regulatory retail portfolios	26.412.940	24.602.737	22.480.629	21.863.820
Claims secured by residential property	20.391.784	18.050.838	15.873.466	15.386.819
Overdue loans	434.849	381.888	343.008	325.161
Higher risk categories decided by the Board	10.036.372	8.725.790	6.301.298	5.675.638
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.964.949	6.471.161	6.828.281	6.192.812

^(*) Includes the risk amounts after credit conversions.

^(**) Average risk amounts are the arithmetical average of the amounts after credit conversions in January-December period.

^(***) Average risk amounts are the arithmetical average of the amounts after credit conversions in July-December period.

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Risk profile according to the geographical concentration:

	Risk Classifications ^(*)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans	Total
Current Period											
1. Domestic	40.817.076	158.890	294.865	2.807.296	38.658.312	26.412.328	20.390.810	434.849	10.036.372	6.964.949	146.975.747
2. EU Countries ^(**)	-	-	-	919.361	90.514	293	-	-	-	-	1.010.168
3. OECD Countries	-	-	-	22.655	-	-	-	-	-	-	22.655
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	291.892	22.127	319	974	-	-	-	292.866
6. Other Countries	-	-	-	48.903	-	-	-	-	-	-	71.349
7. Investment and associates, subsidiaries and joint ventures	-	-	-	990.076	-	-	-	-	-	-	990.076
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	40.817.076	158.890	294.865	5.080.183	38.770.953	26.412.940	20.391.784	434.849	10.036.372	6.964.949	149.362.861
Prior Period											
1. Domestic	26.761.277	315.496	100.491	2.953.180	27.508.481	22.416.360	15.872.446	343.008	6.301.298	6.828.148	109.400.185
2. EU Countries ^(**)	-	-	-	525.275	75.245	-	-	-	-	-	600.520
3. OECD Countries	-	-	-	150.4130	-	-	-	-	-	-	1.504.130
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	280.620	64.269	1.020	-	-	133	364.053
6. Other Countries	-	-	-	201.653	101.077	-	-	-	-	-	547.695
7. Investment and associates, subsidiaries and joint ventures	-	-	-	509.081	-	-	-	-	-	-	610.158
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	26.761.277	315.496	100.491	6.057.372	27.965.423	22.480.629	15.873.466	343.008	6.301.298	6.828.281	113.026.741

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

^(**) OECD Countries other than the EU Countries, USA and Canada.

^(***) Includes loan classified under Uniform Accounting Standards –loans except in the first 3 columns and compliant with Article 48 of the Banking Law.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Risk Profile according to sectors:

Current Period	Risk Classifications(*)										FC	Total	
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans			TC
Agricultural	-	7	79	-	82,200	316,514	76,817	21,827	-	59,563	496,325	60,682	557,007
Farming and raising livestock	-	7	79	-	57,234	299,505	66,022	21,729	-	59,484	462,339	41,721	504,060
Forestry	-	-	-	-	-	2,669	708	82	-	79	3,538	-	3,538
Fishing	-	-	-	-	24,966	14,340	10,087	16	-	-	30,448	18,961	49,409
Manufacturing	-	371	84,345	-	16,667,317	4,265,225	6,805,648	194,638	-	123,381	11,791,795	16,349,130	28,140,925
Mining	-	80	49,524	-	168,006	56,344	220,793	2,385	-	-	199,341	297,791	497,132
Production	-	291	34,821	-	14,842,592	4,190,951	6,411,124	192,107	-	123,381	11,364,429	14,430,838	25,795,267
Electric, gas and water	-	-	-	-	16,567,719	17,930	173,731	146	-	-	228,025	162,051	1,848,526
Construction	-	6	-	-	3,686,109	527,018	112,482	41,014	-	230,791	3,670,634	1,939,131	5,609,765
Services	38,866,216	88,733	150,849	5,080,183	12,346,901	12,740,959	7,207,467	173,729	-	2100,847	47,790,968	30,964,916	78,755,884
Wholesale and retail trade	-	98	68,502	-	5,077,748	713,275	3,851,423	101,960	-	5,212	13,281,787	2,955,314	16,237,101
Hotel, food and beverage services	-	10	-	-	676,406	287,821	116,464	25,178	-	91	665,388	1,488,759	2,154,147
Transportation and telecommunication	-	-	19,467	-	1,481,035	3,208,553	316,100	25,178	-	604	3,660,768	1,390,169	5,050,937
Financial institutions	388,45,284	-	-	5,080,183	552,020	18,305	160,474	539	-	1,934,118	25,368,608	21,222,315	46,590,923
Real estate and renting services	3	88,015	18,559	-	3,943,762	15,347,65	1,304,772	11,298	-	155,902	3,745,898	3,311,778	7,057,076
Self-employment services	-	6	-	-	960	436,787	82,666	1,465	-	4,844	517,266	9,462	526,728
Education services	205	16	39,964	-	113,979	41,675	93,968	260	-	2	157,512	132,557	290,069
Health and social services	20,724	588	4,357	-	501,591	80,295	233,423	7,851	-	74	393,741	455,162	848,903
Other	1,950,860	69,773	59,552	-	5,988,426	856,322	517,025	3,641	10,036,372	4,450,367	33,484,800	2,814,480	36,299,280
Total	40,817,076	158,890	294,865	5,080,183	38,770,953	26,412,940	20,391,784	434,849	10,036,372	6,964,949	97,234,522	52,128,339	149,362,861

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

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Risk Profile according to sectors:

Prior Period	Risk Classifications ^{o)}										Total		
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporate institutions	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans		TC	FC
Agricultural	13	35	268	-	80,360	396,596	80,057	23,757	-	46,612	579,147	48,551	627,698
Farming and raising livestock	13	35	268	-	64,741	375,418	80,057	23,559	-	46,533	558,229	32,395	590,624
Forestry	-	-	-	-	-	3197	-	184	-	79	3,460	-	3,460
Fishing	-	-	-	-	15,619	17,981	-	14	-	-	17,458	16,156	33,614
Manufacturing	-	172	63,114	-	14,153,640	3,530,064	4,051,443	121,683	-	120,669	9,962,329	12,078,456	22,040,785
Mining	-	56	38,433	-	169,749	97,691	491,41	21,67	-	-	153,705	203,532	357,237
Production	-	116	19,005	-	12,903,174	3,401,996	3,798,142	119,461	-	120,669	9,388,710	10,973,853	20,362,563
Electric, gas and water	-	-	5,676	-	1,080,717	30,377	204,160	55	-	-	419,914	901,071	1,320,985
Construction	-	41	-	-	2,479,756	706,926	703,917	25,593	-	331,503	2,877,195	1,430,541	4,247,736
Services	25,337,689	116,191	34,319	6,057,372	9,822,224	9,532,835	4,277,362	133,284	-	2,096,202	35,462,008	21,945,470	57,407,478
Wholesale and retail trade	-	226	16,000	-	4,494,235	5,307,990	2,983,195	94,898	-	5192	10,649,846	2,251,890	12,901,736
Hotel, food and beverage services	-	10	-	-	10,149,066	320,943	245,458	4,086	-	91	513,728	1,071,766	1,585,494
Transportation and telecommunication	-	-	201	-	475,235	2,136,678	479,930	10,975	-	600	2,610,256	493,363	3,103,619
Financial institutions	25,329,375	-	-	-	6,057,372	5,415,665	35,370	403	-	1,881,809	18,555,046	15,290,848	33,845,894
Real estate and renting services	252	114,257	16,641	-	2,766,361	1,274,256	387,326	4,338	-	202,235	2,399,217	2,406,449	4,765,666
Self-employment services	-	6	-	-	363	295,845	54,427	1,229	-	6195	357,858	207	358,065
Education services	254	2	1,391	-	88,491	51,267	25,680	242	-	3	143,223	24,107	167,330
Health and social services	7,808	1,690	86	-	441,068	110,486	101,346	17,113	-	77	272,834	406,840	679,674
Other	14,235,575	199,057	2,790	-	14,294,443	8,314,208	6,760,687	38,691	6,301,298	4,233,295	25,982,903	2,720,141	28,703,044
Total	26,761,277	315,496	100,491	6,057,372	27,965,423	22,480,629	15,873,466	343,008	6,301,298	6,828,281	74,803,582	38,223,159	113,026,741

^{o)}Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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Distribution of maturity risk factors according to their outstanding maturities:

Current Period	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	8.720.562	7.681.052	4.128.169	5.068.263	15.144.250
2.Claims on regional governments or local authorities	11.723	4.760	13.769	49.373	79.265
3.Claims on administrative bodies and other non-commercial undertakings	79.131	82.071	14.075	24.350	95.246
4.Claims on banks and intermediary institutions	3.037.735	2.906.659	335.173	326.302	803.088
5.Claims on corporate	6.206.794	2.437.279	4.709.122	6.335.756	23.334.004
6.Claims included in the regulatory retail portfolios	3.098.451	1.977.765	3.752.612	5.271.196	34.611.357
7. Overdue loans	434.849	-	-	-	-
8. Other receivables	5.461.066	272.734	133.439	488.525	609.185
Total	27.050.311	12.746.320	13.086.359	17.563.765	74.676.395

⁽¹⁾ Commitments amounting TRY 4.239.711 are not included in the table above.

⁽²⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

⁽³⁾ Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	4.083.391	5.375.373	2.096.707	3.434.728	11.719.059
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.840	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.396.631	343.394	96.822	107.896	440.643
5.Claims on corporate	6.197.317	2.214.468	2.909.161	4.127.909	15.643.653
6.Claims included in the regulatory retail portfolios	2.682.391	1.907.608	2.615.226	4.832.015	26.979.466
7. Overdue loans	343.008	-	-	-	-
8. Other receivables	5.358.301	172.390	142.782	495.728	659.080
Total	23.132.702	10.021.182	7.877.163	13.084.678	55.674.424

⁽¹⁾ Commitments amounting TRY 3.236.592 are not included in the table above.

⁽²⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

⁽³⁾ Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

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Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

Mapping Table	Credit Quality Grade	Fitch Ratings
Long term Credit Assessments	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Short term Credit Assessments	1	F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	--
	6	--

Risk balances according to risk weights:

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	41.516.359	-	3.370.335	4.094.344	42.063.789	48.281.662	1.887.984	8.126.295	22.093	145.921
2. Amount after Credit Risk Mitigation	43.344.220	-	3.847.555	24.821.552	24.617.506	42.695.656	1.887.984	8.126.295	22.093	145.921

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.358.643	-	5.341.348	3.598.950	35.590.763	34.835.739	1.235.943	5.065.355	-	155.082
2. Amount after Credit Risk Mitigation	29.017.440	-	5.627.371	19.563.862	21.609.416	30.907.354	1.235.943	5.065.355	-	155.082

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Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans	Overdue ^(*)	Value Adjustments	Provisions
Sectors / Counterparties				
Agricultural	98.679	11.206	440	76.845
Farming and raising livestock	91.012	9.975	377	69.276
Forestry	636	69	4	554
Fishing	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
Mining	10.515	4.391	5.520	8.126
Production	741.278	1.014.818	50.752	543.959
Electric, gas and water	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
Wholesale and retail trade	523.705	191.348	7.587	411.641
Hotel, food and beverage services	111.390	18.855	536	86.822
Transportation and telecommunication	44.109	31.644	1.222	33.046
Financial institutions	10.448	1.733	48	9.910
Real estate and renting services	31.091	7.929	7.379	24.697
Self-employment services	6.358	5.681	172	4.886
Education services	1.834	1.910	63	1.573
Health and social services	20.204	39.780	1.707	12.353
Other	476.618	220.366	10.014	476.616
Total	2.245.176	1.705.871	89.542	1.810.327

^(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

^(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

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Prior Period	Loans			
	Sectors / Counterparties	Non-performing loans	Overdue ^(*)	Value Adjustments
Agricultural	103.642	15.318	640	79.885
Farming and raising livestock	95.758	14.982	627	72.199
Forestry	902	208	9	718
Fishing	6.982	128	4	6.968
Manufacturing	687.349	213.626	45.869	565.666
Mining	11.286	48.970	4.288	9.119
Production	675.152	163.468	41.570	555.691
Electric, gas and water	911	1.188	11	856
Construction	114.672	61.018	1.317	89.079
Services	669.673	304.923	10.220	536.389
Wholesale and retail trade	441.956	201.343	7.180	347.058
Hotel, food and beverage services	76.265	40.461	787	72.179
Transportation and telecommunication	53.495	32.550	860	42.520
Financial institutions	10.207	1.372	40	9.804
Real estate and renting services	28.188	15.558	847	23.850
Self-employment services	5.470	5.030	158	4.241
Education services	1.853	1.962	61	1.611
Health and social services	52.239	6.647	287	35.126
Other	384.310	237.151	7.758	345.619
Total	1.959.646	832.036	65.804	1.616.638

(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.616.638	435.996	242.307	-	1.810.327
2. General Provisions	972.148	321.609	159.040	-	1.134.717

Current Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.401.737	382.808	167.907	-	1.616.638
2. General Provisions	656.783	315.365	-	-	972.148

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	19.975.784	12.487.743
Due from banks	1.848.776	2.619.412
Money Market Receivables	-	12.355
Financial Assets at Fair Value through profit or loss	163.533	104.777
Financial Assets Available for Sale	9.476.596	9.383.212
Held to maturity Investments	18.854.586	13.455.515
Loans	84.848.290	65.893.838
Total	135.167.565	103.956.852
Contingent Liabilities	27.038.177	19.734.203
Commitments	18.985.579	14.156.031
Total	46.023.756	33.890.234
Total Credit Risk Exposure	181.191.321	137.847.086

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments

Corporate and Commercial Loans	Internal/ External Valuation Grade	Total	Entrepreneur Firms	Internal/ External Valuation Grade	Total
Risk rating group 1	AAA	55.738	High		
Risk rating group 2	AA	7.984.545	Risk rating group 1	1	1.578.372
Risk rating group 3	A	8.828.901	Risk rating group 2	2	2.291.934
Risk rating group 4	BBB	12.008.132	Standard		
Risk rating group 5	BB	10.125.960	Risk rating group 3	3	2.032.902
Risk rating group 6	B	10.886.209	Risk rating group 4	4	2.676.968
Risk rating group 7	CCC	3.591.637	Risk rating group 5	5	5.149.511
Risk rating group 8	CC	655.696	Below the standard		
Risk rating group 9	C	15.322	Risk rating group 6	6	4.700.657
			Risk rating group 7	7	4.876.799
Total		54.152.140	Total		23.307.143

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.414.108 are not included the table above.

⁽²⁾ Prepared in accordance with the internal grading results of the Bank.

⁽³⁾ Only graded firms are included.

⁽⁴⁾ Includes the total of cash and non cash loans.

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Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00-1,40	AAA	The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	100-86
1,41-1,80	AA	The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	85-73
1,81-2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72-67
2,01-2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.	66-60
2,21-2,40	BB	The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but its a credible firm in the short run.	59-53
2,41-2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52-47
2,61-2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46-40
2,81-3,20	CC	The firm force acceptable risk limits when its financial and non financial criteria considered together, and has poor credibility.	39-27
3,21-3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26-13
3,61-4,00	D	The firm has no credibility under any condition.	12-0

Entrepreneur Loans Decision Module ("GKKM") is the rating module which is used for assessment of loan applications of companies which are classified by the Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

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

	Current Period	Prior Period
Loans^{(1), (2)}		
Corporate Loans	59.642	37.964
SME Loans	15.116	26.712
Consumer Loans	12.545	16.098
Other	64	152
Total	87.367	80.926

⁽¹⁾ Accruals are not included to the table above.

⁽²⁾ Presents loans accounted under in restructured or rescheduled loan accounts.

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The net value and type of collaterals of the loans amounting TRY 2.276.000 followed under loans and other receivables under close monitoring section is below: (31 December 2012 : TRY 1.910.626).

Collateral Types	Net Value of Collateral Current Period ⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	1.817.757	1.519.823
Salary pledge, vehicle pledge and pledge of commercial undertaking	72.262	75.401
Financial collaterals (cash, securities pledge, etc.)	14.588	14.047
Cheque / bills	26.817	11.204
Surety ship	217.072	188.735
Other	127.504	101.416
Total	2.276.000	1.910.626

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 27828 (31 December 2012: TRY 22.411) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 2.245.176 followed under non performing loans section is below: (31 December 2012: TRY 1.959.646)

Collateral Types	Net Value of Collateral Current Period ⁽¹⁾	Net Value of Collateral Prior Period
Cash	1.887	1.845
Mortgage	522.565	511.841
Pledge	48.963	37.805
Cheque / bills	5.044	4.899
Surety ship	1.156.880	1.000.072
Other ⁽²⁾	509.837	403.184
Total	2.245.176	1.959.646

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 28337 of 28 June 2012 by .

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Bank. The VAR based limits, that are determined by the Board of Directors, and the denominated interest rate risk of the Bank's is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

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The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	179.935	87.445
(II) Capital requirement to be employed for specific risk	32.966	13.498
(III) Capital requirement to be employed for specific risk in securitization positions-Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	25.735	30.714
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	96	264
(VIII)Capital requirement to be employed for general market risk.	4.418	1.984
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	243.150	133.905
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.039.375	1.673.813

b) Average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	174.401	252.145	100.444	146.617	189.317	99.271
Share Risk	4.188	8.480	1.672	2.413	2.686	1.672
Currency Risk	33.758	46.530	25.735	26.365	37.330	18.235
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	448	1.313	96	185	290	79
Counterparty Credit Risk	2.709	4.418	1.484	2.406	3.142	1.931
Amount Subject to Total Risk	215.504	312.886	129.431	177.986	232.765	121.188

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

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The Bank uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Bank calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives is disclosed below.

	Amount⁽⁹⁾
Contracts based on Interest rate	5.065
Contracts based on currency	78.503
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	83.568
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	83.568

⁽⁹⁾ Counterparty risk related to the trading accounts is included.

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Bank's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Bank's average gross revenue over the previous three years with 12.5. Amount subject to operational risk is TRY 8.912.469 for the current period. (31 December 2012: TRY 7.513.762)

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	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3.883.262	4.528.461	5.848.227	4.753.317	15	712.998
Amount subject to operational risk (Total*12,5)						8.912.469

V. EXPLANATIONS RELATED TO THE CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Bank is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risks have been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

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

	24.12.2013	25.12.2013	26.12.2013	27.12.2013	30.12.2013	31.12.2013
USD	2,0600000	2,0600000	2,1050000	2,1350000	2,1050000	2,1200000
CHF	2,2934000	2,3017000	2,3471000	2,4028000	2,3652000	2,3766000
GBP	3,3658000	3,3537000	3,4544000	3,5182000	3,4688000	3,5053000
JPY	0,0197164	0,0197022	0,0200634	0,0203270	0,0200023	0,0201362
EURO	2,8149000	2,8196000	2,8822000	2,9449000	2,9053000	2,9184000

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
USD	2,0445455
CHF	2,2849682
GBP	3,3438909
JPY	0,0197195
EURO	2,8021545

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Information related to currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	7887.794	6.957.816	2.329.055	17.174.665
Banks	1.341.367	331.474	66.195	1.739.036
Financial assets at fair value through profit and loss ⁽³⁾	19.823	22.712	1.291	43.826
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	744.036	1.348.309	-	2.092.345
Loans ⁽²⁾	9.117.036	16.400.530	132.095	25.649.661
Subsidiaries, associates and entities under common control ⁽⁵⁾	-	-	-	-
Held-to-maturity investments	-	1.066.707	-	1.066.707
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	89	89
Intangible assets	-	-	-	-
Other assets ⁽³⁾	24.283	16.191	24	40.498
Total assets	19.134.339	26.143.739	2.528.749	47.806.827
Liabilities				
Bank deposits	3.503.832	2.080.868	424.276	6.008.976
Foreign currency deposits	16.804.877	10.573.335	2.167.227	29.545.439
Money market balances	-	-	-	-
Funds provided from other financial institutions	5.577.259	7.199.765	143	12.777.167
Bonds issued	-	3.218.387	-	3.218.387
Sundry creditors	50.626	29.728	18	80.372
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	83.317	206.245	17.156	306.718
Total liabilities	26.019.911	23.308.328	2.608.820	51.937.059
Net balance sheet position	(6.885.572)	2.835.411	(80.071)	(4.130.232)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities ⁽⁴⁾	934.551	4.354.082	436.731	5.725.364
Non-cash loans ⁽¹⁾	3.975.105	9.852.417	398.172	14.225.694
Prior period				
Total assets	13.549.045	16.284.413	3.555.802	33.389.260
Total liabilities	16.990.888	14.130.132	3.364.477	34.485.497
Net balance sheet position	(3.441.843)	2.154.281	191.325	(1.096.237)
Net off-balance sheet position				
Financial derivative assets	3.464.184	1.337.974	420.616	5.222.774
Financial derivative liabilities	340.019	3.545.157	610.136	4.495.312
Non-cash loans ⁽¹⁾	3.354.802	6.353.553	266.590	9.974.945

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 861.262 of foreign currency indexed loans and their accruals. (31 December 2012: TRY 44.365)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 107.836), prepaid expenses (TRY 96) in assets; and derivative financial instruments foreign currency expense accruals (TRY 21.094) and shareholders' equity (TRY 145.914) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 5.873 and forward precious metal purchase transactions amounting to TRY 149.450.

⁽⁵⁾ Demirhalkbank NV (TRY 74.716), an associate operates in foreign currency, Macar Halkbank (TRY 2.063) International Garagum Bank (TRY 250), and a foreign currency subsidiary Halk Banka AD Skopje (TRY 145.359) followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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Foreign currency sensitivity:

Bank is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to hedge against currency risk.

The following table sets the Bank's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	10% increase	986	(12.154)
EURO	10% increase	(28.195)	(56.521)
Other	10% increase	426	32.593

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Bank. The Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

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1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates:

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 Yıl	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	19.300	-	-	-	-	19.956.484	19.975.784
Banks and financial institutions	1.608.653	4.404	3.597	-	-	232.122	1.848.776
Financial assets at fair value through profit and loss	70.305	22.415	31.658	34.091	5.064	-	163.533
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	3.131.671	539.295	873.986	2.139.173	2.792.471	64.152	9.540.748
Loans	26.959.078	14.873.150	16.979.816	19.951.167	3.662.263	1.987.967	84.413.441
Held-to-maturity investments	9.295.467	1.603.846	1.397.826	2.688.829	3.868.618	-	18.854.586
Other assets ⁽²⁾	66.962	3.648	18.095	37.251	15.846	5.004.837	5.146.639
Total assets	41.151.436	17.046.758	19.304.978	24.850.511	10.344.262	27.245.562	139.943.507
Liabilities							
Bank deposits	5.825.381	306.452	300.131	-	-	3.585.229	10.017.193
Other deposits	47.210.931	19.599.080	8.742.092	77.291	31	15.109.579	90.739.004
Money market balances	771.416	-	-	-	-	-	771.416
Sundry creditors	574.245	2.699	885.739	-	-	161.370	1.624.053
Bonds issued	38.663	30.694	1.014.151	1.763.434	1.317.742	-	4.164.684
Funds provided from other financial institutions ⁽⁴⁾	2.604.492	3.663.879	5.575.666	1.257.825	508.403	4.890	13.615.155
Other liabilities ^{(1),(3)}	1.235.127	84.435	233.601	-	-	17.458.839	19.012.002
Total liabilities	58.260.255	23.687.239	16.751.380	3.098.550	1.826.176	36.319.907	139.943.507
Balance sheet long position	-	-	2.553.598	21.751.961	8.518.086	-	32.823.645
Balance sheet short position	(17.108.819)	(6.640.481)	-	-	-	(9.074.345)	(32.823.645)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(17.108.429)	(6.640.870)	2.553.595	21.751.961	8.518.086	(9.074.345)	(2)

⁽¹⁾ TRY 8.303 of deferred tax liability is disclosed under the non interest bearing column in other assets.

⁽²⁾ TRY 434.849 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior period	Up to 1 month	1-3 months	3-12 Months	1-5 Yıl	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	11589	-	-	-	-	12.476.154	12.487.743
Banks and financial institutions	1.010.057	2.003	-	-	-	1.607.352	2.619.412
Financial assets at fair value through profit and loss	30.465	7.977	52.239	14.096	-	-	104.777
Money market placements	12.355	-	-	-	-	-	12.355
Financial assets available-for-sale	2.179.536	1.541.433	2.810.717	1.763.026	1.088.500	10.450	9.393.662
Loans	27.333.503	10.996.400	10.914.302	12.703.211	2.584.788	1.018.626	65.550.830
Held-to-maturity investments	3.708.038	3.576.657	2.512.340	2.910.462	748.018	-	13.455.515
Other assets ⁽¹⁾⁽²⁾	88.356	2.725	12.980	37.270	9.634	4.506.377	4.657.342
Total assets	34.373.899	16.127.195	16.302.578	17.428.065	4.430.940	19.618.959	108.281.636
Liabilities							
Bank deposits	2.995.018	273.235	356.116	-	-	3.800.731	7.425.100
Other deposits	38.161.559	17.344.106	4.809.758	39.306	-	12.194.072	72.548.801
Money market balances	164.804	216.426	-	-	-	-	381.230
Sundry creditors	311.342	4.460	767.298	-	-	120.317	1.203.417
Bonds issued	717.874	-	31.423	1.289.141	-	-	2.038.438
Funds provided from other financial institutions ⁽⁴⁾	1.882.526	2.500.125	2.012.148	555.893	345.726	6.917	7.303.335
Other liabilities ⁽³⁾	1.570.354	740.462	350.953	-	-	14.719.546	17.381.315
Total liabilities	45.803.477	21.078.814	8.327.696	1.884.340	345.726	30.841.583	108.281.636
Balance sheet long position	-	-	7.974.882	15.543.725	4.085.214	-	27.603.821
Balance sheet short position	(11.429.578)	(4.951.619)	-	-	-	(11.222.624)	(27.603.821)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.429.578)	(4.863.369)	7.915.782	15.543.725	4.085.214	(11.222.624)	29.150

⁽¹⁾ TRY 224.281 of deferred tax assets is disclosed under the non-interest bearing column in other assets.

⁽²⁾ TRY 343.008 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans ⁽²⁾	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits ⁽⁴⁾	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans ⁽²⁾	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
Liabilities				
Bank deposits	0,02	1,18	-	3,15
Other deposits	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions ⁽⁴⁾	1,46	1,97	-	7,67

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates are calculated using weighted average method for loans given as of balance sheet date. Calculated rates may vary from Bank's announced interest rates.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2013.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2013.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period

Currency	Applied Shock (+/-x basis points)	Gains/ Losses	Gains/Shareholders' Equity
			- Losses/ Shareholders' Equity
1 TRY	500	(1.944.449)	(%13,260)
	(400)	2.029.290	%13,839
2 EURO	200	398.381	%2,717
	(200)	(429.990)	(%2,932)
3 USD	200	57.709	%0,394
	(200)	(11.397)	(%0,078)
Total (For negative shocks)		1.587.903	%10,829
Total (For positive shocks)		(1.488.359)	(%10,150)

Prior Period

Currency	Applied Shock (+/-x basis points)	Gains/ Losses	Gains/Shareholders' Equity
			- Losses/ Shareholders' Equity
1 TRY	500	(1.261.829)	(%9,849)
	(400)	1.282.128	%10,008
2 EURO	200	303.520	%2,369
	(200)	(266.543)	(%2,081)
3 USD	200	4.701	%0,037
	(200)	12.343	%0,096
Total (For negative shocks)		1.027.928	%8,023
Total (For positive shocks)		(953.608)	(%7,443)

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VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
1. Associates	92.553	-	-
<i>Quoted in a stock exchange</i>	-	-	-
2. Subsidiaries	2.334.263	2.188.904	590.794
<i>Quoted in a stock exchange⁽¹⁾</i>	<i>914.612</i>	<i>914.612</i>	<i>590.794</i>
Traded on Free Trading Platform ⁽¹⁾	323.818	323.818	-
Investments securities for Group A ^{(2),(3)}	590.794	590.794	590.794
<i>Unquoted in a stock exchange</i>	<i>1.419.651</i>	<i>1.274.292</i>	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul A.Ş. Free Trading Platform. The fair value of Halk Sigorta A.Ş. was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

⁽³⁾ In accordance with the Capital Markets Board's decision "New-publicly traded companies' securities are classified as Group A, B and C after the companies are started to traded on Borsa Istanbul AŞ three months later", the securities are in Group A.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included to supplementary capital	Total	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share Certificates quoted in a stock exchange ^{(1) (2)}	-	264.767	119.145	106.537	-	47.942
3. Other share certificates	-	724.728	326.127	-	-	-
Total	-	989.495	445.272	106.537	-	47.942

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş. are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta A.Ş. was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

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VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Meeting the liquidity needs of the Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Bank provides an important potential funding opportunity to the Bank.

The main funding source of the Bank is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4,529,767	3,952,335	5,433,672	5,973,007	86,804	199	-	19,975,784
Banks	232,122	1,608,653	4,404	3,597	-	-	-	18,487,776
Financial assets at fair value through profit and loss	-	6,814	22,415	31,687	36,253	5,064	-	163,553
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	4,96,047	3,26,846	8,56,502	3,241,553	4,555,648	6,4152	9,540,748
Loans ²⁾	1,121,733	6,176,601	6,783,793	26,933,780	3,712,8653	6,268,881	-	84,413,441
Held-to-maturity investments	-	1,88,083	1,663,324	3,392,828	5,239,412	8,370,939	-	18,854,586
Other assets ³⁾	871,975	36,502	5,171	14,640	60,998	24,491	4,132,862	5,146,639
Total assets	6,755,597	12,526,335	14,239,625	37,206,041	45,793,673	19,225,222	4,197,014	139,943,507
Liabilities								
Bank deposits	3,585,229	5,825,381	30,6452	300,131	-	-	-	10,077,93
Other deposits	15,109,579	4,720,575	19,588,686	8,670,709	1,591,98	5,075	-	90,739,004
Funds provided from other financial institutions ⁴⁾	3,427	4,530,33	7,56,259	7,316,788	3,103,090	1,982,558	-	13,615,155
Money market balances	-	771,416	-	-	-	-	-	771,416
Bonds issued	-	38,663	30,694	10,141,51	1,763,434	1,317,742	-	4,164,684
Sundry creditors	168,333	5,988,50	5,9911	2,52,971	5,43,871	117	-	16,241,053
Other liabilities ¹⁾	3,280,434	2,26,027	183,871	5,43,465	2,09,705	1,75,332	14,393,168	19,012,002
Total liabilities	22,147,002	55,119,127	20,925,873	18,098,215	5,779,298	3,480,824	14,393,168	139,943,507
Liquidity gap	(15,391,405)	(42,592,792)	(6,686,248)	19,107,826	40,014,375	15,744,398	(10,196,154)	-
Previous period								
Total assets	4,487,501	12,265,336	11,245,707	27,596,024	39,511,257	9,154,234	4,021,577	108,281,636
Total liabilities	19,011,299	42,810,029	19,006,314	9,198,201	3,994,864	1,937,974	12,322,955	108,281,636
Liquidity gap	(14,523,798)	(30,544,693)	(7,760,607)	18,397,823	35,516,393	7,216,260	(8,301,378)	-

¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

²⁾ TRY 434,849 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁴⁾ Funds provided from other financial institutions include borrowings.

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Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	71.870.536	20.093.409	9.180.058	164.860	5.075	(557.741)	100.756.197
Funds provided from other financial intuitions	468.050	784.256	7.452.275	3.262.037	2.081.646	(433.109)	13.615.155
Money market borrowings	771.570	-	-	-	-	(154)	771.416
Securities issued	38.756	30.806	1.056.083	2.068.988	1.682.419	(712.368)	4.164.684
Funds	624.364	141.448	319.597	245.812	206.084	(48.763)	1.488.542
Total	73.773.276	21.049.919	18.008.013	5.741.697	3.975.224	(1.752.135)	120.795.994

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	57.263.265	17.798.366	5.239.599	152.143	4.215	(483.687)	79.973.901
Funds provided from other financial intuitions	220.812	278.567	3.333.610	2.091.966	1.854.599	(476.219)	7.303.335
Money market borrowings	164.825	216.968	-	-	-	(563)	381.230
Securities issued	726.147	-	32.266	1.581.881	-	(301.856)	2.038.438
Funds	618.814	98.686	280.166	228.713	239.295	(57.787)	1.407.887
Total	58.993.863	18.392.587	8.885.641	4.054.703	2.098.109	(1.320.112)	91.104.791

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios as at 31 December 2013 and 31 December 2012 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	266,58	222,10	171,77	135,40	174,60	196,96	126,02	123,65
Maximum	363,35	291,28	209,41	154,00	230,51	250,27	149,85	141,13
Minimum	185,12	183,18	132,01	121,99	131,56	154,38	106,25	104,22

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Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	864.772	325.844	493.614	4.118	-	1.688.348
Forward Contracts - Sell	855.519	180.495	491.752	4.106	-	1.531.872
Swaps - Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps - Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	-	5.873	-	-	-	5.873
Forward Precious Metal-Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest - Buy	-	-	-	-	678.400	678.400
Swaps Interest - Sell	-	-	-	-	678.400	678.400
Total	18.229.275	1.313.005	1.263.013	205.399	1.356.800	22.367.492

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	657.762	503.262	156.391	349	-	1.317.764
Forward Contracts - Sell	654.690	594.598	156.378	374	-	1.406.040
Swaps - Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps - Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap - Buy	-	-	-	88.250	-	88.250
Credit Default Swap - Sell	-	-	-	59.100	-	59.100
Forward Precious Metal-Buy	-	314.800	-	-	-	314.800
Forward Precious Metal-Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
Total	2.723.738	6.366.454	637.307	1.191.748	-	10.919.247

IX. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Securitization positions:

None.

X. EXPLANATIONS RELATED TO THE CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Bank does not apply any netting process on balance sheet and off balance sheet items.

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

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis. The credibility of guarantors is monitored within the framework of credit revision periods.

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The Bank reviews to reevaluate the value of the mortgages during the credit period.

The revaluation of the mortgages whose value are more than TRY 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Banks' guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Bank and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/ Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	40.817.076	694.629	-	-
Claims on regional governments or local authorities	158.890	14.903	-	-
Claims on administrative bodies and other non-commercial undertakings	294.865	14.573	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	5.080.183	-	-	-
Claims on corporate	38.770.953	630.386	-	270.711
Claims included in the regulatory retail portfolios	26.412.940	1.567.877	-	150.429
Claims secured by residential property	20.391.784	29.206	-	-
Overdue loans	434.849	-	131.082	-
Higher risk categories decided by the Board	10.036.372	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	6.964.949	-	-	-

⁹⁾In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

XI. EXPLANATIONS RELATED TO THE RISK MANAGEMENT TARGET AND POLICIES:

Credit Risk:

The credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about to the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

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In the process of credit assessment process, rating modules are used by the Bank and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Bank and the Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department measures the foreign exchange risk of the Bank.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Bank is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Bank defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

Liquidity Risk:

The liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of liquidity shocks are determined by liquidity contingency plan. The duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

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XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Bank has no restrictions on the area in which it operates.

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the aforementioned classification.

The following are the services provided by the Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2013 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	1,245,806	947,019	8,852,094	6,952,155	(8,792,431)	9,204,643
<i>Interest on loans</i>	798,109	785,863	5,169,226	381,063	-	7,134,261
<i>Interest income on marketable securities</i>	-	-	-	2,053,202	-	2,053,202
<i>Interest received from banks</i>	-	-	-	10,883	-	10,883
<i>Other interest income⁽²⁾</i>	447,697	161,156	3,682,868	4,507,007	(8,792,431)	6,297
Interest expense	740,750	517,992	6,972,619	4,936,715	(8,792,431)	4,375,645
<i>Interest on deposits</i>	446,766	152,082	3,048,753	191,451	-	3,839,052
<i>Interest on borrowings</i>	3,155	15,300	14,430	188,874	-	221,759
<i>Interest on money market borrowings</i>	-	-	-	84,331	-	84,331
<i>Interest on marketable bonds issued</i>	-	-	-	178,206	-	178,206
<i>Other interest expense⁽²⁾</i>	290,829	350,610	3,909,436	4,293,853	(8,792,431)	52,297
Net interest income	505,056	429,027	1,879,475	2,015,440	-	4,828,998
Net fees and commissions income	179,745	98,288	582,839	69,134	-	930,006
Net trading profit / (loss)	-	-	-	244,443	-	244,443
Dividend income	-	-	-	97,468	-	97,468
Other income	38,254	41,594	290,240	397,550	-	767,638
Loans and other receivables' impairment loss	13,858	105,954	351,916	377,014	-	848,742
Other expenses	24,560	63,615	1,190,615	1,376,129	-	2,654,919
Income before taxes	684,637	399,340	1,210,023	1,070,892	-	3,364,892
Income tax provision	-	-	-	(614,049)	-	(614,049)
Net profit for the period	684,637	399,340	1,210,023	456,843	-	2,750,843
SEGMENT ASSETS						
Marketable securities	-	-	-	28,419,180	-	28,419,180
Derivative financial assets held for trading	-	-	-	139,687	-	139,687
Banks and money market receivables	-	-	-	1,848,776	-	1,848,776
Associates and subsidiaries (net)	-	-	-	2,426,816	-	2,426,816
Loans	13,631,524	12,780,356	51,364,586	7,071,824	-	84,848,290
Other assets ⁽¹⁾	1,582	11,057	883,741	21,364,378	-	22,260,758
TOTAL ASSETS	13,633,106	12,791,413	52,248,327	61,270,661	-	139,943,507
SEGMENT LIABILITIES						
Deposits	13,683,623	4,518,277	6,717,116	15,383,136	-	100,756,197
Derivative financial liabilities held for trading	-	-	-	43,848	-	43,848
Money market balances	-	-	-	771,416	-	771,416
Borrowing funding loans	20,257	315,600	417,038	12,862,260	-	13,615,155
Bonds issued	-	-	-	4,164,684	-	4,164,684
Other liabilities	111,541	201,343	2,939,419	1,096,278	-	4,348,581
Provisions and tax payable	21,488	21,027	120,307	1,935,031	-	2,097,853
Shareholders' equity	-	-	-	14,145,773	-	14,145,773
TOTAL LIABILITIES	13,836,909	5,056,247	70,647,925	50,402,426	-	139,943,507
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	13,710,270	6,326,256	6,746,366	255,285	-	27,038,177
Commitments	36,854	500,440	6,763,240	11,685,045	-	18,985,579
Derivative financial instruments	-	-	-	20,905,639	-	20,905,639

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1,067,814 (net) and deferred tax assets amounting TRY 8,303 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	1.276.590	1.005.258	9.552.764	7.470.001	(10.313.630)	8.990.983
Interest on loans	672.695	768.542	4.921.350	367.954	-	6.730.541
Interest income on marketable securities	-	-	-	2.238.713	-	2.238.713
Interest received from banks	-	-	-	12.181	-	12.181
Other interest income ⁽²⁾	603.895	236.716	463.1414	485.153	(10.313.630)	9.548
Interest expense	950.726	760.028	7.118.050	5.999.732	(10.313.630)	4.514.906
Interest on deposits	416.090	171.514	3.321.467	175.229	-	4.084.300
Interest on borrowings	2.808	13.023	10.784	122.640	-	149.255
Interest on money market borrowings	-	-	-	134.448	-	134.448
Interest on marketable securities issued	-	-	-	96.597	-	96.597
Other interest expense ⁽²⁾	531.828	575.491	3.785.799	5.470.818	(10.313.630)	50.306
Net interest income	325.864	245.230	2.434.714	1.470.269	-	4.476.077
Net fees and commissions income	187.774	150.501	453.469	66.680	-	858.424
Net trading profit / (loss)	-	-	-	554.644	-	554.644
Dividend income	-	-	-	64.024	-	64.024
Other income	1142	24124	218.983	115.993	-	360.242
Loans and other receivables' impairment loss	49.836	44.341	290.519	501.920	-	886.616
Other expenses	22.110	53.912	942.819	1.078.815	-	2.097.656
Income before taxes	442.834	321.602	1.873.828	690.875	-	3.329.139
Income tax provision	-	-	-	(733.928)	-	(733.928)
Net profit for the period	442.834	321.602	1.873.828	(43.053)	-	2.595.211
SEGMENT ASSETS						
Marketable securities	-	-	-	22.870.798	-	22.870.798
Derivative financial assets held for trading	-	-	-	83156	-	83156
Banks and money market receivables	-	-	-	2.631.767	-	2.631.767
Associates and subsidiaries (net)	-	-	-	1.887.048	-	1.887.048
Loans	10.349.116	9.552.386	40.585.669	5.406.667	-	65.893.838
Other assets ⁽¹⁾	597	8.554	713.351	14.192.527	-	14.915.029
TOTAL ASSETS	10.349.713	9.560.940	41.299.020	47.071.963	-	108.281.636
SEGMENT LIABILITIES						
Deposits	12.539.825	4.183.138	55.389.430	7.861.508	-	79.973.901
Derivative financial liabilities held for trading	-	-	-	50.666	-	50.666
Money market balances	-	-	-	381.230	-	381.230
Borrowing funding loans	8.155	219.674	220.342	6.855.164	-	7.303.335
Bonds issued	-	-	-	2.038.438	-	2.038.438
Other liabilities	33.071	86.758	2.556.752	1.206.009	-	3.882.590
Provisions and tax payable	16.217	18.851	90.809	2.202.644	-	2.328.521
Shareholders' equity	-	-	-	12.322.955	-	12.322.955
TOTAL LIABILITIES	12.597.268	4.508.421	58.257.333	32.918.614	-	108.281.636
OFF BALANCE SHEET ITEMS						
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	136.544	-	19.734.203
Commitments	33.667	342.791	6.185.456	68.732.470	-	75.294.384
Derivative financial instruments	-	-	-	9.610.192	-	9.610.192

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1123.165 (net) and deferred tax assets amounting TRY 224.281 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

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XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	134.782.905	103.613.844	126.780.453	100.084.905
Cash and Balances with the Central Bank of Turkey	19.975.784	12.487.743	19.975.784	12.487.743
Financial assets fair value changes reflected to income statement	163.533	104.777	163.533	104.777
Banks	1.848.776	2.619.412	1.848.776	2.619.412
Money market placements	-	12.355	-	12.355
Available for sale financial assets ⁽¹⁾	9.526.785	9.383.212	9.526.785	9.383.212
Held to maturity investments	18.854.586	13.455.515	18.373.149	13.336.577
Loans ⁽²⁾	84.413.441	65.550.830	76.892.426	62.140.829
Financial Liabilities	120.976.743	90.952.227	119.985.771	90.644.050
Deposits	100.756.197	79.973.901	100.887.812	80.086.060
Derivative financial liabilities held for trading	43.848	50.666	43.848	50.666
Funds provided from other financial intuitions	13.615.155	7.303.335	12.838.597	6.946.820
Money market borrowings	771.416	381.230	771.416	381.230
Securities issued	4.164.684	2.038.438	3.916.700	2.038.438
Miscellaneous payables	1.624.053	1.203.417	1.526.008	1.139.596
Leasing payables	1.390	1.240	1.390	1.240

⁽¹⁾ As of 31 December 2013, TRY 13.963 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2012: TRY 10.450).

⁽²⁾ Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾	20.174	139.687	-	159.861
<i>Debt securities</i>	20.174	-	-	20.174
<i>Derivative financial assets held for trading purpose</i>	-	139.687	-	139.687
Available-for-sale financial assets ⁽¹⁾	9.526.785	-	-	9.526.785
<i>Debt securities</i>	9.526.785	-	-	9.526.785
Total Financial Assets	9.546.959	139.687	-	9.686.646
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	43.848	-	43.848
Total Financial Liabilities	-	43.848	-	43.848

⁽¹⁾ 31 December 2013, share certificates amounting to TRY 13.963 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾	19.018	83.156	-	102.174
<i>Debt securities</i>	19.018	-	-	19.018
<i>Derivative financial assets held for trading purpose</i>	-	83.156	-	83.156
Available-for-sale financial assets ⁽¹⁾	9.383.212	-	-	9.383.212
<i>Debt securities</i>	9.383.212	-	-	9.383.212
Total Financial Assets	9.402.230	83.156	-	9.485.386
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	50.666	-	50.666
Total Financial Liabilities	-	50.666	-	50.666

⁽¹⁾ As of 31 December 2012, share certificates amounting to TRY 10.450 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

XIV. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

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

The Bank does not engage in transaction based on trust.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	627.715	167.691	523.326	162.093
Central Bank of Turkey	2.173.404	17.006.682	1.083.507	10.718.803
Other	-	292	-	14
Total	2.801.119	17.174.665	1.606.833	10.880.910

b) Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.164.297	1.570.064	1.076.051	876.801
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	9.107	15.436.618	7.456	9.842.002
Total	2.173.404	17.006.682	1.083.507	10.718.803

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2012: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2012: between 6% and 11,5 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey.

With the Board of Minutes No.827 dated 16 July 2012 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except Cyprus branches.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

None.

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

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c) Positive differences related to the derivative financial assets held-for-trading:

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	26.493	-	6.455
Swap transactions	-	112.900	-	76.658
Futures transactions	-	-	-	-
Options	3	291	5	38
Other	-	-	-	-
Total	3	139.684	5	83.151

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	9.249	578.432	169.258	473.232
Foreign banks	100.491	1.160.604	37.392	1.939.530
Branches and offices abroad	-	-	-	-
Total	109.740	1.739.036	206.650	2.412.762

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.006.904	322.998	-	-
USA and Canada	28.985	84.504	-	-
OECD Countries ⁽¹⁾	2.251	1.448.154	-	-
Offshore Banking Regions	-	-	-	-
Other	222.955	121.266	-	-
Total	1.261.095	1.976.922	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	857.722	64.482	96.796
Total	-	857.722	64.482	96.796

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a.2. Information on financial assets available-for-sale subject to repurchase agreements: None.

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	9659.732	9.385.785
<i>Quoted on a stock exchange</i>	9659.732	9.385.785
<i>Not quoted</i>	-	-
Share certificates	83.035	29.333
<i>Quoted on a stock exchange</i>	50.189	-
<i>Not quoted</i>	32.846	29.333
Impairment provision(-)	202.019	21.456
Total	9.540.748	9.393.662

(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	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	163.316	-	126.697	-
Total	163.316	-	126.697	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	66179.822	809.085	-	2.088.525	1.461.752	-
<i>Corporation loans</i>	37.947.314	683.483	-	1.844.495	1.449.266	-
<i>Export loans</i>	2.378.794	71.141	-	27.719	10.068	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	1.819.844	427	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	20.667.992	51.445	-	153.855	2.414	-
<i>Credit cards⁽²⁾</i>	2.582.097	-	-	50.974	-	-
<i>Other</i>	783.781	2.589	-	11.482	4	-
Specialized lending	14.937.976	57.430	-	187.475	22.494	-
Other receivables	-	-	-	-	-	-
Accruals	991.815	10.595	-	278.28	18.148	-
Total	82.109.613	877.110	-	2.303.828	1.502.394	-

⁽¹⁾ Includes TRY 116.180 of personnel loans.

⁽²⁾ Includes TRY 47.136 of personnel credit cards.

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Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other
		Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	770.564	1.416.246
Extended by 3,4 or 5 times	85.234	67.615
Extended by more than 5 times	10.717	385

^(*) Accruals amounting to TRY 10.595 are not included in the table above.

^(**) Accruals amounting to TRY 18.148 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other
		Receivables Under Close Monitoring ^(**)
0-6 Months	395.629	64.337
6 Months-12 Months	224.085	42.134
1-2 Years	61.218	54.604
2-5 Years	171.229	348.722
5 Years and over	14.354	974.449

^(*) Accruals amounting to TRY 10.595 are not included in the table above.

^(**) Accruals amounting to TRY 18.148 are not included in the table above.

c) Loans according to their maturity structure:

Current Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	18.310.279	482.333	204.298	41.084
Non-specialized loans	17.949.434	459.373	201.638	40.588
Specialized lending	139.670	17.134	193	-
Other receivables	-	-	-	-
Accruals	221.175	5.826	2.467	496
Medium and long term loans and other receivables	62.922.224	394.777	597.136	1.461.310
Non-specialized loans	47.421.303	349.712	425.135	1.421.164
Specialized lending	14.740.876	40.296	164.788	22.494
Other receivables	-	-	-	-
Accruals	760.045	4.769	7.213	17.652

Prior Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	16.891.398	324.803	197.468	37.562
Non-specialized loans	16.580.920	310.067	193.945	37.122
Specialized lending	114.639	10.970	1.234	5
Other receivables	-	-	-	-
Accruals	195.839	3.766	2.289	435
Medium and long term loans and other receivables	46.117.134	284.458	654.548	1.043.459
Non-specialized loans	33.750.201	225.797	498.201	1.030.200
Specialized lending	11.832.252	55.363	148.758	1.161
Other receivables	-	-	-	-
Accruals	534.681	3.298	7.589	12.098

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	298.844	20.062.080	20.360.924
<i>Real estate loans</i>	2.511	9.095.716	9.098.227
<i>Automobile loans</i>	4.650	150.911	155.561
<i>Consumer loans</i>	291.518	10.766.419	11.057.937
<i>Other</i>	165	49.034	49.199
Consumer loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.182.938	1.067	2.184.005
<i>Installment</i>	1.074.488	-	1.074.488
<i>Non-installment</i>	1.108.450	1.067	1.109.517
Individual credit cards-FC	44	-	44
<i>Installment</i>	-	-	-
<i>Non-installment</i>	44	-	44
Personnel loans-TRY	4.950	111.230	116.180
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.950	111.230	116.180
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	47.124	12	47.136
<i>Installment</i>	22.460	-	22.460
<i>Non-installment</i>	24.664	12	24.676
Personnel credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	344.743	-	344.743
Overdraft accounts-FC (Retail customer)	-	-	-
Total	2.878.643	20.174.389	23.053.032

⁰⁾ Interest income accruals are not included in the table above.

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	7.238	768.133	775.371
<i>Business residential loans</i>	1.293	432.409	433.702
<i>Automobile loans</i>	5.945	240.163	246.108
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	95.561	95.561
Commercial installment loans-Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans-FC	-	46.970	46.970
<i>Business residential loans</i>	-	46.970	46.970
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	401.869	-	401.869
<i>Installment</i>	264.735	-	264.735
<i>Non-installment</i>	137.134	-	137.134
Corporate credit cards-FC	17	-	17
<i>Installment</i>	-	-	-
<i>Non-installment</i>	17	-	17
Overdraft accounts-TRY (Commercial customer)	336.197	-	336.197
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	745.321	815.103	1.560.424

⁽¹⁾ Interest and income accruals are not included in table above.

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.113.116	1.707.174
Private	82.300.325	63.843.656
Total	84.413.441	65.550.830

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	84.074.252	65.197.297
Foreign loans	339.189	353.533
Total	84.413.441	65.550.830

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h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	501.111	299.727
Indirect loans granted to subsidiaries and associates	-	-
Total	501.111	299.727

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	245.140	210.052
Loans and receivables with doubtful collectability	130.511	87.200
Uncollectible loans and receivables	1.434.676	1.319.386
Total	1.810.327	1.616.638

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:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	145.197	8.194	84.801
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	145.197	8.194	84.801
Prior period	49.445	5.259	83.234
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234

j.2. Information on the movement of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	349.296	144.948	1.465.402
Additions (+)	749.403	23.713	63.853
Transfers from other categories of loans under follow-up (+)	-	449.444	360.172
Transfers to other categories of loans under follow-up (-)	523.629	285.987	-
Collections (-)	197.498	116.607	237.334
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	377.572	215.511	1.652.093
Specific provision (-)	245.140	130.511	1.434.676
Net balance on balance sheet	132.432	85.000	217.417

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

None.

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)	132.432	85.000	217.417
Loans to granted real persons and legal entities (Gross)	377.430	213.345	1.601.606
Specific provisions (-)	244.998	128.345	1.384.189
Loans to granted real persons and legal entities (Net)	132.432	85.000	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-
Prior period (Net)	139.244	57.748	146.016
Loans to granted real persons and legal entities (Gross)	349.189	144.658	1.426.581
Specific provisions (-)	209.945	86.910	1.280.565
Loans to granted real persons and legal entities (Net)	139.244	57.748	146.016
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	37.061	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	18.569	5.913	4.201	28.683
Credit cards	120.478	20.934	10.949	152.361
Total	268.543	57.769	31.211	357.523

⁹⁾ Only the overdue loans that subject to outstanding principal payment amounting to TRY 1.348.348 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	15.657	5.919	3.913	25.489
Credit cards	100.296	15.219	6.770	122.285
Total	205.484	59.112	45.925	310.521

⁹⁾ Only the overdue loans that subject to outstanding principal payment amounting to TRY 521.515 are included.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	3.041.571	121.049	2.172.312	461.592
Total	3.041.571	121.049	2.172.312	461.592

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a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	764.916	-	62.980	333.509
Total	764.916	-	62.980	333.509

b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	18.854.586	13.455.515
Treasury bills	-	-
Other public sector debt securities	-	-
Total	18.854.586	13.455.515

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	18.854.586	13.455.515
<i>Quoted on a stock exchange</i>	<i>17.626.787</i>	<i>11.623.088</i>
<i>Not quoted</i>	<i>1.227.799</i>	<i>1.832.427</i>
Impairment provision (-)	-	-
Total	18.854.586	13.455.515

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	13.455.515	13.997.928
Foreign currency differences on monetary assets	(30)	(83.455)
Purchases during the year ⁽¹⁾⁽³⁾	9.116.697	2.135.045
Disposals through sales and redemptions ⁽²⁾	(3.717.596)	(2.594.003)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	18.854.586	13.455.515

⁽¹⁾ Interest income accrual difference between 31 December 2013 amounting to TRY 1.129.103 and 31 December 2012 amounting to TRY 815.308 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified EUR 264.347 thousands (TRY 606.491) and USD 342.113 (TRY 612.382) thousands of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4.039.794 thousands and USD 502.575 (TRY 982.535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

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e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁰¹	10.300.287	-	11.285.826	-	7.541.130	-	8.198.174	-
Obtained with the transfer	1.200.000	-	1.227.798	-	1.800.000	-	1.832.427	-
Reclassified from other securities portfolios ⁰¹	5.167.817	937.622	5.274.255	945.657	2.049.330	254.067	2.115.933	270.795
Other ⁰¹	-	119.757	-	121.050	-	995.680	-	1.038.186
Total	16.668.104	1.057.379	17.787.879	1.066.707	11.390.460	1.249.747	12.146.534	1.308.981

⁰¹ The Bank has reclassified from available for sale financial assets portfolio to held to maturity investments portfolio on 23 October 2013.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Rotterdam/The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Ankara/Turkey	31,47	32,26
3. Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	18,95	18,95

b) Information related to the associates as sorted in (a):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	4.723.716	552.674	31.294	87.577	25.800	34.686	30.181	-
2.	46.924	46.518	22.461	59	-	(130)	909	-
3.	99.253	73.482	43.385	1.655	-	26.493	23.655	-
4.	33.001	23.773	19.650	365	14	4.171	4.189	-

⁰¹ No investment is listed on the stock exchange.

⁰² The information is presented from financial statements as 30 September 2013.

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c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	92.888	96.105
Movements during the period	(335)	(3.217)
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(335)	(717)
<i>Transfers^(*)</i>	-	(3.006)
<i>Revaluation decrease (-) / increase</i>	-	-
<i>Provision for impairment (-) / reversals (+)</i>	-	506
Balance at the end of the period	92.553	92.888
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

^(*) As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	74.716	74.716
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518

e) Associates quoted to a stock exchange:

None.

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(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
Paid in Capital	55.000	70.000	113.000	673.639	114.950	5.000	109.685	20.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	-	-	30.954	-	-	11.633	-
Reserves	6.249	20.406	14.774	25.094	7.554	201	22.491	-
Profit / Loss	6.674	31.440	59.448	25.303	40.194	1.041	4.273	(874)
Net Profit	6.255	31.440	53.769	17.112	21.131	1.005	3.785	(613)
<i>Prior Period Profit/Loss</i>	<i>419</i>	<i>-</i>	<i>5.679</i>	<i>8.191</i>	<i>19.063</i>	<i>36</i>	<i>488</i>	<i>(261)</i>
Leasehold Improvements (-)	-	390	776	-	-	7	-	46
Intangible Assets (-)	339	2.495	1.203	119	452	7	1.280	209
Total Core Capital	67.584	118.961	185.243	754.871	162.246	6.228	146.802	18.871
SUPPLEMENTARY CAPITAL	1.063	10.033	(8.356)	(979)	-	-	6.497	-
CAPITAL	68.647	128.994	176.887	753.892	162.246	6.228	153.299	18.871
NET AVAILABLE CAPITAL^①	68.647	128.994	176.887	753.892	162.246	6.228	153.299	18.871

^① The information is presented from financial statements subject to consolidation as of 30 September 2013.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,94	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	92,45
3. Halk Hayat ve Emeklilik AŞ	Istanbul	94,40	99,62
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul	77,68	77,86
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	Istanbul	56,00	99,63
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	Istanbul	95,00	99,90
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	Istanbul	100,00	100,00

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c) Information related to the subsidiaries as sorted in (b):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	553.902	68.647	1.979	22.369	1.338	6.255	6.080	92.151
2.	462.767	128.994	5.407	13.720	2.811	31.440	12.102	323.818
3.	485.456	176.887	3.958	31.118	21.412	53.769	34.225	697.589
4.	867.936	753.892	593.822	8.815	3.056	17.112	9.922	590.794(3)
5.	1.793.827	162.246	810	75.935	-	21.131	15.720	406.645
6.	6.530	6.228	93	306	3	1.005	275	5.271
7.	786.924	153.299	29.122	31.648	3.728	3.785	-	-
8.	278.858	18.871	548	6.406	1	(613)	108	42.032
9.	33.874	18.164	5.174	277	201	3.684	1.400	30.604

⁽¹⁾ The information is presented from financial statements subject to consolidation as 30 September 2013.

⁽²⁾ The information is presented from valuation reports as 31 December 2013

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul A.Ş.

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	1.794.160	831.371
Movements during the period	540.103	962.789
Purchases ⁽²⁾	167.590	88.882
<i>Bonus shares obtained profit from current year's share</i>	85.867	64.186
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer⁽²⁾</i>	335	-
<i>Revaluation increase</i>	286.311	809.721
<i>Reversal of provision for impairment (-)</i>	-	-
Balance at the end of the period	2.334.263	1.794.160
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾Purchases amounting to TRY 13.540 of TRY 167.590 consist payments to Ziraat Group due to purchase of 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%). The payment of TRY 19.000 was made for the increase in capital of the Halk Faktoring A.Ş. and the payment of TRY 135.050 was made for the increase in capital of the Halk Finansal Kiralama A.Ş.

e) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.021.407	730.461
Factoring companies	42.032	21.109
Leasing companies	406.645	200.980
Financing companies	-	-
Other financial subsidiaries	688.216	696.251

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f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽⁹⁾	914.612	245.245
Quoted foreign stock exchange	-	-

⁽⁹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş. are traded on the Borsa İstanbul A.Ş. Free Trading Platform. The fair value of Halk Sigorta A.Ş. was determined by the valuation report prepared by an independent valuation company since Halk Sigorta A.Ş. does not have transaction depth on the Borsa İstanbul A.Ş.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

None.

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	630.552	10.567	2.754	(6.558)	631.807
Tangible assets purchased through financial lease	36.824	274	4.845	-	32.253
Office machines	235.602	74.110	9.130	-	300.582
Fixed assets obtained due to non-performing loans	455.684	162.167	237.125	94	380.820
Lease hold improvements costs	147.540	26.488	29.946	-	144.082
Other	233.886	17.353	4.796	-	246.443
Total Cost	1.740.088	290.959	288.596	(6.464)	1.735.987
Accumulated depreciation:					
Immovable	195.337	12.637	597	(1.542)	205.835
Tangible assets purchased through financial lease	34.211	679	4.843	-	30.047
Office machines	113.627	39.632	8.869	-	144.390
Fixed assets obtained due to non-performing loans	8.862	3.873	4.050	-	8.685
Lease hold improvements costs	68.680	29.754	23.985	-	74.449
Other	181.689	16.519	3.741	-	194.467
Total accumulated depreciation	602.406	103.094	46.085	(1.542)	657.873
Provision for impairment (-)					
Immovable	6.520	-	904	-	5.616
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.997	2.389	5.702	-	4.684
Total provision for impairment (-)	14.517	2.389	6.606	-	10.300
Net Book Value	1.123.165	185.476	235.905	(4.922)	1.067.814

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Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	634.189	18.395	5.152	(16.880)	630.552
Tangible assets purchased through financial lease	40.474	220	3.870	-	36.824
Office machines	194.274	64.738	23.410	-	235.602
Fixed assets obtained due to non-performing loans	356.167	166.263	131.840	65.094	455.684
Lease hold improvements costs	119.829	35.067	7.356	-	147.540
Other	218.474	18.486	3.074	-	233.886
Total Cost	1.563.407	303.169	174.702	48.214	1.740.088
Accumulated depreciation:					
Immovable	188.714	12.660	1.596	(4.441)	195.337
Tangible assets purchased through financial lease	37.329	748	3.866	-	34.211
Office machines	90.667	34.055	11.095	-	113.627
Fixed assets obtained due to non-performing loans	6.343	5.113	2.736	142	8.862
Lease hold improvements costs	49.750	25.742	6.812	-	68.680
Other	167.383	16.458	2.152	-	181.689
Total accumulated depreciation	540.186	94.776	28.257	(4.299)	602.406
Provision for impairment (-)					
Immovable	7.183	-	597	(66)	6.520
Tangible assets purchased through financial lease	-	-	-	-	-
Office machines	-	-	-	-	-
Fixed assets obtained due to non-performing loans	5.016	4.105	1.124	-	7.997
Total provision for impairment (-)	12.199	4.105	1.721	(66)	14.517
Net Book Value	1.011.022	204.288	144.724	52.579	1.123.165

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	42.965	13.657	2.484	-	54.138
Total Cost	42.965	13.657	2.484	-	54.138
Accumulated Depreciation:					
Other intangible assets	5.680	3.324	13	-	8.991
Total Accumulated Depreciation	5.680	3.324	13	-	8.991
Net Book Value	37.285	10.333	2.471	-	45.147

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Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	30.944	14.303	(2.282)	-	42.965
Total Cost	30.944	14.303	(2.282)	-	42.965
Accumulated Depreciation:					
Other intangible assets	3.374	2.456	(150)	-	5.680
Total Accumulated Depreciation	3.374	2.456	(150)	-	5.680
Net Book Value	27.570	11.847	(2.132)	-	37.285

(14) Information on investment property:

None

(15) Information on tax assets:

None. (31 December 2012: Please refer to Section V Note II-10)

(16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	5.305	3.788
Accumulated Depreciation (-) ⁽¹⁾	(1.193)	(812)
Net Book Value	4.112	2.976
Opening Balance	2.976	82.172
Acquisitions (Transfers) (Net)	6.464	(48.214)
Disposals (Net)	(5.145)	(31.924)
Impairment Charge/Cancellation	198	(83)
Amortization Charge ⁽¹⁾	(381)	1.025
Net Book Value	4.112	2.976

⁽¹⁾The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.167.901 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.039.579).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	29.800.774
Foreign currency deposits	3.473.557	-	1.629.520	12.212.789	4.930.815	2.229.731	303.9160	27.528.621
<i>Residents in Turkey</i>	2.172.772	-	1.582.317	11.920.017	4.807.360	1.995.467	2.197.551	24.688.407
<i>Residents abroad</i>	1.300.785	-	47.203	292.772	123.455	234.264	841.609	2.840.214
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	8.926.160
Commercial inst. deposits	3.249.845	-	2.502.068	12.314.591	498.577	487.939	179.953	19.232.973
Other inst. deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.229	-	372.7183	1.816.514	343.376	68.108	476.783	10.017.193
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	22.831	-	2.425.179	972.335	80.184	4.209	115	3.504.853
<i>Foreign banks</i>	3.129.647	-	1.302.004	844.179	263.192	63.899	476.668	6.079.589
<i>Participation banks</i>	432.751	-	-	-	-	-	-	432.751
Total	18.694.808	-	8.989.467	56.773.805	7.879.497	3.757.951	4.524.831	135.838 100.756.197

a.2. Prior period:

	7 day call Demand accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	27.285.255
Foreign currency deposits	2.945.516	-	1.268.870	8.688.674	1.953.360	1.061.284	2.041.097	17.969.945
<i>Residents in Turkey</i>	2.380.868	-	1.239.838	8.490.388	1.827.781	785.953	1.434.000	16.169.834
<i>Residents abroad</i>	564.648	-	29.032	198.286	125.579	275.331	607.097	1.800.111
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	7.436.467
Commercial inst. deposits	2.158.531	-	1.338.364	7.007.998	2.151.522	173.019	65.477	12.894.911
Other inst. deposits	391.063	-	2.538.913	1.050.647	668.795	317.580	72.618	5.039.616
Precious metals	1.922.607	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.731	-	2.331.665	542.250	139.224	437.281	173.949	7.425.100
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	3.461	-	877.08	82.230	135.683	81.040	-	390.122
<i>Foreign banks</i>	3.713.932	-	2.243.957	460.020	3.541	356.241	173.949	6.951.640
<i>Participation banks</i>	83.338	-	-	-	-	-	-	83.338
Total	15.994.803	-	8.415.763	42.295.504	7.660.740	2.412.645	3.068.656	125.790 79.973.901

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b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	18.203.362	13.331.212	11.528.066	13.891.236
Foreign currency saving deposits	5.668.891	3.820.318	7.225.458	7.099.773
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	86.977	80.179	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current period	Prior period
Foreign branches' saving deposits and other accounts	144.674	130.342
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.426	2.553
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(2) Information on derivative financial liabilities held for trading:

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	21.483	-	5.086
Swap transactions	-	22.024	-	45.427
Future transactions	-	-	-	-
Options	30	311	14	139
Other	-	-	-	-
Total	30	43.818	14	50.652

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(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	352.531	419.097	227.349	248.874
Foreign banks, institutions and funds	485.457	12.358.070	317.849	6.509.263
Total	837.988	12.777.167	545.198	6.758.137

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	331.668	7.521.917	197.901	3.498.043
Medium and long-term	506.320	5.255.250	347.297	3.260.094
Total	837.988	12.777.167	545.198	6.758.137

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Bank is deposit, which is composed of 30% of saving deposits and 27% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 60% of banks deposits and 32% of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	770.977	-	70.718	-
<i>Financial inst. and organizations</i>	<i>713.817</i>	<i>-</i>	<i>7.697</i>	<i>-</i>
<i>Other institutions and organizations</i>	<i>25.887</i>	<i>-</i>	<i>36.784</i>	<i>-</i>
<i>Real persons</i>	<i>31.273</i>	<i>-</i>	<i>26.237</i>	<i>-</i>
From overseas transactions	203	-	278	308.654
<i>Financial inst. and organizations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>308.654</i>
<i>Other institutions and organizations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Real persons</i>	<i>203</i>	<i>-</i>	<i>278</i>	<i>-</i>
Accruals	236	-	12	1.568
Total	771.416	-	71.008	310.222

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(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	946.297	-	692.270	-
Bonds ⁽²⁾	-	3.218.387	-	1.346.168
Total	946.297	3.218.387	692.270	1.346.168

⁽¹⁾As of 27 December 2013, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Bank.

⁽²⁾As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750.000 with maturity of 7 years are issued by Bank

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	17.957	1.470.585	9.624	1.398.263

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.234.596 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.270.046).

(7) Information on finance lease payables (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 provisions of the Tax Procedural Code.

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b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	410	381	-	-
Between 1-4 years ⁽¹⁾	522	400	1.737	1.240
More than 4 years	819	609	-	-
Total	1.751	1.390	1.737	1.240

⁽¹⁾ Finance lease payables are presented with respect to original maturity.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.134.717	972.148
Provisions for first group loans and receivables	966.345	844.129
<i>Additional provisions for the loans with extended payment plan</i>	<i>15.179</i>	<i>28.583</i>
Provisions for second group loans and receivables	89.542	65.804
<i>Additional provisions for the loans with extended payment plan</i>	<i>74.253</i>	<i>53.421</i>
Provisions for non cash loans	78.830	62.215
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None.

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c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2013, the Bank's specific provision for unindemnified non-cash loans balance is TRY 69,008 (31 December 2012: TRY 62,896). TRY 2,377 (31 December 2012: TRY 2,483) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 249,831 (31 December 2012: TRY 452,941) consists of TRY 69,008 (31 December 2012: TRY 62,896) for specific provisions for unindemnified non cash loans, TRY 23,073 (31 December 2012: TRY 26,870) for legal cases filed against the Bank, TRY 132,231 (31 December 2012: TRY 328,300) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 25,519 (31 December 2012: TRY 34,875) of other provisions.

d.1.) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2013 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period ⁽¹⁾	Prior Period
Discount Rate	%9,80	%7,63
Inflation Rate	%6,40	%5,00
Wage growth	%3,20	%2,63
Estimated Real Wage Growth Rate	%6,60	%5,20

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	293.424	225.930
Charge for the year	25.229	16.877
Interest Expense	21.777	21.201
Actuarial gain/loss	(18.651)	49.210
Payment/The limitation of benefits/ Loss (Gain) because of discharge	3.282	7.700
Benefits paid within the period(-)	(29.203)	(27.494)
Total	295.858	293.424

As of 31 December 2013, unused vacation provision is TRY 111,804 and severance indemnity provision for outsource firms is TRY 8,026. This amount is followed under employee benefits provision under liabilities (31 December 2012: TRY 101,715 for unused vacation provision; TRY 6,609 for severance indemnity provision for outsources).

As of 1 January 2013, actuarial gains and losses are recognized and accounted in shareholders' equity.

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e) Liabilities on pension rights

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2013 and 31 December 2012, no technical deficit has been reported. Besides, no technical deficit for Türkiye Halk Bankası A.Ş Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı has been reported as of 31 December 2013 and 31 December 2012.

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2013, the Bank's corporate tax payable is amounting to TRY 48,839 after setting off TRY 213,969 of prepaid taxes from TRY 262,808 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	48.839	375.625
Income on securities tax	72.009	65.518
Property income tax	773	626
Banking and insurance transactions tax (BITT)	34.231	32.614
Foreign exchange transactions tax	11	3
Value added tax payable	-	-
Other	19.856	15.631
Total	175.719	490.017

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	17	14
Social insurance premiums-employer	20	15
Bank social aid pension fund premium-employee	5.205	4.462
Bank social aid pension fund premium-employer	7.205	6.211
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	1.148	965
Total	13.595	11.667

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b) Deferred tax liability:

	Current Period	Prior Period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	118.704	99.430
Revaluation of Financial Assets	(124.689)	125.769
Other	(2.318)	(918)
Deferred Tax (Asset) /Liability:	(8.303)	224.281
Deferred tax accounted in shareholders' equity	15.670	(102.987)
Fair value differences for available for sale financial assets	19.456	(102.987)
Actuarial gains and losses	(3.786)	-

⁽¹⁾Provisions are comprised of the employee termination benefits and other provisions.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

None.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

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e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required 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:

The Bank has sustainable profitability structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.096.032	-	809.721	-
Revaluation difference	(136.568)	(145.914)	344.562	45.241
Exchange rate difference	-	-	-	-
Total	959.464	(145.914)	1.154.283	45.241

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	613.624	498.255
Second Legal Reserves	432.456	384.225
Legal reserves appropriated in accordance with the law	2.522	1.856
Total	1.048.602	884.336

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	6.993.085	5.113.614
Retained Earnings	62.325	54.850
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	7.055.410	5.168.464

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	9.883.048	6.013.182
Payment commitments for cheques	4.670.295	4.575.929
Loan granting commitments	1.572.258	1.053.442
Two days forward foreign exchange buy/sell transactions	1.461.853	1.309.055
Commitments for credit cards and banking services promotions	37.663	30.707
Tax and fund liabilities from export commitments	13.413	13.903
Share capital commitments to associates and subsidiaries ⁽¹⁾	-	-
Other irrevocable commitments	1.347.049	1.159.813
Total	18.985.579	14.156.031

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Bank acceptance loans	3.789.406	2.808.022
Letters of credit	1.944.803	1.183.307
Other guarantees	956.431	551.962
Total	6.690.640	4.543.291

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	10.645.927	7.205.696
Letters of advance guarantees	1.697.143	1.715.752
Letters of tentative guarantees	747.085	1.036.387
Letters of guarantee given to customs offices	911.583	399.607
Other letters of guarantee	6.345.799	4.833.470
Total	20.347.537	15.190.912

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c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	341.162	352.259
<i>Within one year or less original maturity</i>	4.478	495
<i>Within more than one year maturity</i>	336.684	351.764
Other non-cash loans	26.697.015	19.381.944
Total	27.038.177	19.734.203

c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	18.638	0,14	1.199	0,01	15.850	0,16	7.564	0,08
<i>Farming and raising livestock</i>	14.453	0,11	1.109	0,01	13.616	0,14	7.405	0,07
<i>Forestry</i>	362	0,00	-	0,00	311	0,00	-	0,00
<i>Fishing</i>	3.823	0,03	90	0,00	1.923	0,02	159	0,00
Manufacturing	3.052.627	23,83	7.838.763	55,10	2.497.573	25,59	5.429.819	54,43
<i>Mining</i>	67.664	0,53	98.804	0,69	52.277	0,54	117.185	1,17
<i>Production</i>	2.120.143	16,55	6.775.292	47,63	1.913.354	19,61	5.055.379	50,68
<i>Electric, gas and water</i>	864.820	6,75	964.667	6,78	531.942	5,45	257.255	2,58
Construction	3.385.711	26,43	2.609.919	18,35	2.911.411	29,83	2.221.757	22,27
Services	6.246.790	48,76	3.572.599	25,11	4.231.887	43,36	2.266.499	22,72
<i>Wholesale and retail trade</i>	2.619.589	20,45	1.664.609	11,70	1.724.829	17,67	1.139.607	11,42
<i>Hotel, food and beverage services</i>	56.412	0,44	42.839	0,30	52.285	0,54	9.808	0,10
<i>Transportation and telecommunication</i>	98.138	0,77	225.576	1,59	111.747	1,15	37.707	0,38
<i>Financial Institutions</i>	2.567.595	20,04	596.307	4,19	1.951.977	20,00	573.612	5,75
<i>Real estate and renting services</i>	838.794	6,55	1.023.755	7,20	351.881	3,61	490.056	4,91
<i>Self-employment services</i>	9.511	0,07	1.268	0,01	8.836	0,09	327	0,00
<i>Education services</i>	8.131	0,06	8.087	0,06	5.348	0,05	2.698	0,03
<i>Health and social services</i>	48.620	0,38	10.158	0,07	24.984	0,26	12.684	0,13
Other	108.717	0,85	203.214	1,43	102.537	1,05	49.306	0,49
Total	12.812.483	100,00	14.225.694	100,00	9.759.258	100,00	9.974.945	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	12.586.076	14.055.113	226.407	170.581
Letters of guarantee	12.010.732	7.943.573	226.407	166.825
Bank acceptances	90.489	1.853.368	-	946
Letters of credit	2.062	3.784.534	-	2.810
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	482.793	473.638	-	-

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c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	19.393.516	8.925.359	-	-
Forward foreign currency buy/sell transactions	1.758.367	1.414.749	-	-
Currency buy/sell swap	17.384.112	7.229.476	-	-
Currency futures	-	-	-	-
Currency put/call options	251.037	281.134	-	-
Interest related derivative transactions (II)	1.356.800	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.356.800	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	155.323	684.833	-	-
A. Total trading derivative transactions (I+II+III)	20.905.639	9.610.192	-	-
Types of derivative transactions for risk management	-	-	-	-
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	20.905.639	9.610.192	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 5.873 and TRY 149.450 respectively.

d) Information on contingent liabilities and assets:

The Bank has provided TRY 23.073 (31 December 2012: TRY 26.870) of provision for the disputed legal cases filed by various persons and institutions.

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e) Services supplied on behalf of others:

None.

f) Information on revocable commitments:

As per the BRSA's article, dated 3 June 2013, non-cash loans and cash loans within credit agreements which are not been granted or do not have a guarantee to be granted should be accounted under the other off-balance sheet items. According to that article, the Bank removed the amount TRY 61.138.353 from the Statement of Off-Balance Sheet Items, which was previously reported as revocable loan granting commitments under the Statement of Off-Balance Sheet Items.

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(I) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	1.679.941	121.853	1.971.246	168.548
Medium and long term loans	4.222.280	1.048.078	3.668.294	842.744
Interest on non-performing loans	62.109	-	79.709	-
Premiums from resource utilization support fund	-	-	-	-
Total	5.964.330	1.169.931	5.719.249	1.011.292

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	2.247	3.758	6.274	1.386
Overseas banks	2.768	2.110	1.347	3.174
Head office and branches	-	-	-	-
Total	5.015	5.868	7.621	4.560

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c) Interest income on marketable securities:

	Current Period		Prior Period	
	DC	FC	DC	FC
Financial Assets Held for Trading	1.930	610	1.104	543
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	639.265	124.679	736.397	69.895
Held-to-Maturity Investments	1.275.998	10.720	1.317.630	113.144
Total	1.917.193	136.009	2.055.131	183.582

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	25.177	8.716

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	27.491	167.570	23.594	112.906
<i>Central Bank of Turkey</i>	1	-	-	-
<i>Domestic banks</i>	19.244	10.688	18.956	7.129
<i>Overseas banks</i>	8.246	156.882	4.638	105.777
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	26.698	-	12.755	-
Total	54.189	167.570	36.349	112.906

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
İştirak ve Bağlı Ortaklıklara Verilen Faizler	53.952	33.160

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	48.032	130.174	66.938	29.659
Total	48.032	130.174	66.938	29.659

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d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	67	59.529	16.321	4.946	576	-	-	81.439
Saving deposits	6	17.960	1.570.567	124.013	36.379	52.896	8.323	1.810.144
Public deposits	513	44.393	263.303	24.851	1.071	886	-	335.017
Commercial deposits	10	101.427	603.601	77.355	57.604	14.314	-	854.311
Other deposits	2	20.134	98.870	35.186	26.901	9.667	-	190.760
7 days call accounts	-	-	-	-	-	-	-	-
Total	598	243.443	2.552.662	266.351	122.531	77.763	8.323	3.271.671
Foreign currency								
Deposits	133	30.474	263.054	121.750	39.929	81.453	-	536.793
Bank deposits	-	30.588	-	-	-	-	-	30.588
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	133	61.062	263.054	121.750	39.929	81.453	-	567.381
Grand total	731	304.505	2.815.716	388.101	162.460	159.216	8.323	3.839.052

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	1.974	622
Other	95.494	63.402
Total	97.468	64.024

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	12.613.894	8.284.069
Profit from the capital market operations	333.261	388.537
Profit on derivative financial instruments	2.528.069	1.454.742
Foreign exchange gains	9.752.564	6.440.790
Loss (-)	12.369.451	7.729.425
Loss from the capital market operations	10.424	3.263
Loss on derivative financial instruments	2.057.216	1.662.579
Foreign exchange losses	10.301.811	6.063.583

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b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	2.528.069	1.454.742
Effect of the change in foreign exchange on profit	2.508.224	1.454.742
Effect of the change in interest rate on profit	19.845	-
Loss on derivative financial instruments (-)	2.057.216	1.662.579
Effect of the change in foreign exchange on loss	2.047.444	1.601.565
Effect of the change in interest rate on loss	9.772	61.014
Profit/loss on derivative financial instruments	470.853	(207.837)

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ⁽¹⁾	633.062	195.388
Receivable from the asset sale on credit terms	64.530	118.011
Provision for communication expenses	8.310	7.632
Rent income	4.309	6.016
Other income	57.427	33.195
Total	767.638	360.242

⁽¹⁾As of 31 December 2013, the Bank reversed the general reserve amounting to TRY 196.069 which had been recognized as expense on previous periods.

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	435.996	382.808
<i>Group-III loans and receivables</i>	<i>247.926</i>	<i>260.139</i>
<i>Group-IV loans and receivables</i>	<i>111.218</i>	<i>37.234</i>
<i>Group-V loans and receivables</i>	<i>76.852</i>	<i>85.435</i>
General loan provision expenses	321.609	315.365
Provision expenses for possible losses	-	134.300
Marketable securities impairment losses	-	6.548
<i>Financial assets at fair value through profit and loss</i>	<i>-</i>	<i>-</i>
<i>Financial assets available for sale</i>	<i>-</i>	<i>6.548</i>
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Jointly controlled entities (joint ventures)</i>	<i>-</i>	<i>-</i>
<i>Investments held-to-maturity</i>	<i>-</i>	<i>-</i>
Other ⁽¹⁾	91.137	47.595
Total	848.742	886.616

⁽¹⁾According to the decision of the Competition Board as at 2 November 2011, the investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Bank had been completed and the Bank has been paid a fine amounting TRY 67.269 on 8 February 2013 with the declaration of decision.

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(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1,083,774	842,962
Reserve for employee termination benefits	51,985	96,623
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	99,221	89,663
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	3,324	2,456
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1,365	3,514
Amortization expenses of assets that will be disposed of	3,873	5,113
Impairment expense for property and equipment held for sale	59	7
Other operating expenses	1,034,988	756,866
<i>Operational leasing expenses</i>	128,505	108,667
<i>Maintenance expenses</i>	24,195	14,719
<i>Advertisement expenses</i>	144,603	95,942
<i>Other expenses</i>	737,685	537,538
Loss on sales of assets	1,487	337
Other	374,843	300,115
Total	2,654,919	2,097,656

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Bank's income before tax is due from continuing activities. TRY 4,828,998 of the income before tax consists of net interest income, TRY 930,006 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 3,364,892.

(9) Information on tax provisions for continuing and discontinued operations:

For the year ended 31 December 2013, the Bank's tax provision amounting to TRY 614,049 consists of TRY 262,808 of current tax charge and TRY 351,241 of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2013, the Bank's net operating income after tax is amounting to TRY 2,750,843.

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(11) Information on net profit/loss from continuing and discontinued operations:

- a)** Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2012 and 31 December 2012.
- b)** Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c)** "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 738.088 thousands for the year 2013. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 3.067.287 thousands increase for the year 2013.

For the year ended 31 December 2013, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 638.248 increase (31 December 2012: TRY 516.724, decrease).

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	12.487.743	7.272.370
<i>Cash in TRY and foreign currency</i>	685.419	481.801
<i>Central Bank and others⁽¹⁾</i>	11.802.324	6.790.569
Cash equivalents	2.631.767	1.475.000
<i>Demand and Time Deposits Up to 3 Months</i>	2.619.412	1.475.000
<i>Money Market Placements</i>	12.355	-
Total cash and cash equivalents	15.119.510	8.747.370
Reserve deposits in Central Bank of Turkey	(9.849.458)	(3.965.249)
Accruals on reserve deposits in Central Bank of Turkey	-	-
Accruals on money market placement	-	-
Accruals on banks	(566)	(219)
Cash and Cash Equivalents	5.269.486	4.781.902

⁽¹⁾ Others items include cheques received.

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	19.975.784	12.487.743
<i>Cash in TRY and foreign currency</i>	795.406	685.419
<i>Central Bank and others⁽¹⁾</i>	19.180.378	11.802.324
Cash Equivalents	1.842.776	2.631.767
<i>Demand and Time Deposits Up to 3 Months</i>	1.842.776	2.619.412
<i>Money Market Placements</i>	-	12.355
Cash and Banks	21.818.560	15.119.510
Reserve deposits in Central Bank of Turkey	(15.445.725)	(9.849.458)
Accruals on banks	(515)	(566)
Total Cash and Cash Equivalents	6.372.320	5.269.486

⁽¹⁾ Others items include cheques received.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	299.727	340.509	-	-	-	-
Closing balance	501.111	354.400	-	-	-	-
Interest and commissions income	25.177	1.408	-	-	-	-

b) Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	144.642	84.051	-	-	-	-
Closing balance	299.727	340.509	-	-	-	-
Interest and commissions income	8.716	1.824	-	-	-	-

c) Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	579.099	306.082	-	-	-	-
Closing Balance	961.604	579.099	-	-	-	-
Interest expense on deposits	53.952	33.160	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Forward and option contracts and similar transactions with the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	68.331	62.206	-	-	-	-
Closing Balance	1.305	68.331	-	-	-	-
Total Profit/Loss	23	(384)	-	-	-	-

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

Bank's branches may operate as insurance agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of Bank's funds.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	501.111	%0,59
Non-cash loans	354.400	%1,31
Deposits	961.604	%0,95
Forward and option contracts	1.305	%0,01
Banks and financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.943 as of 31 December 2013 (31 December 2012: TRY 6.399).

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	872	14.754			
Agencies Abroad	1	2	Tehran/IRAN		
Overseas Branches	4	21	Lefkoşa/KKTC	250.303	50.000
		8	Gazimagosa/KKTC	31.822	-
		8	Girne/KKTC	38.994	-
		2	Paşaköy/KKTC	623	-
Off-shore Branches	1	3	Manama/BAHREYN	8.950.738	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 56 domestic branches during the year.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Mr. Ali Fuat TAŞKESENLIOĞLU has been appointed as a new member of the Board of Directors in accordance with the decision of the Board of Directors meeting held on 6 February 2014, following the decease of Mr. Ahmet KAHRAMAN in order to submit first General Assembly for acceptance and getting the approval from Banking Regulation and Supervision Board in respect of appointment of Mr. Ali Fuat TAŞKESENLIOĞLU as Chief Executive Officer decided in accordance with the decision.

As per the approval of BRSA dated on 7 February 2014, the decision has been made on the termination of the duty of Mr. Süleyman ASLAN as the Chief Executive Officer and the assignment of Board of Directors member Mr. Ali Fuat TAŞKESENLIOĞLU as the Chief Executive Officer.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

The Istanbul Chief Public Prosecutor's Office has included Mr. Süleyman ASLAN, who is the member of the Board of Directors (former Chief Executive Officer) to the scope of the judicial inquiry which is known in the public and demanded information and documents from the Bank about this investigation.

The transactions that might be considered in the scope of the judicial inquiry have been inspected and audited comprehensively by the Board of Inspectors of the Bank. There is no finding on any significant case that might influence the financial statements of the Bank according to the report prepared by the Board of Inspectors of the Bank. The auditors of the BRSA made also an examination regarding this issue and there is not any negative opinion or problematical transaction conveyed to Bank by BRSA.

According to Board of Director's decision made on the 6 February 2014, Mr. Ali Fuat TAŞKESENLIOĞLU has been elected as a Member of the Board, pursuant to the Turkish Commercial Code Article 363 for the vacant Board Membership due to decease of Mr. Ahmet Kahraman. Mr. Ali Fuat TAŞKESENLIOĞLU has started his position as Member of the Board on 7 February 2014. The title of the CEO has been taken from Mr. Süleyman ASLAN and Mr. Ali Fuat TAŞKESENLIOĞLU is assigned as Chief Executive Officer of Halkbank as per to the approval of BRSA and the resolution of the Board of Directors dated 7 February 2014.

In its announcement on the Public Disclosure Platform dated 23 December 2013 and 13 January 2014 the Board of Directors has informed the public and the investors, that the Bank does not have any business operations or transaction in contradiction with the national and international regulations and there is no undertaken review or investigation regarding the related authorities in relation to the Bank's legal entity, and further, that the Bank is continuing and will continue its activities, as it has done in the past, uninterrupted and in line with all national and international regulations.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2013 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 17 February 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

We draw attention to the judicial inquiry about Mr. Süleyman ASLAN (former Chief Executive Officer) as explained by the Board of Directors in the Section VI. This issue is not qualifying our opinion presented in the introduction part.



**Türkiye Halk Bankası Anonim Şirketi
Consolidated Financial Statements
as of and for the Year Ended
31 December 2013 with Independent
Auditors' Report Thereon**



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacak Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34806 İstanbul

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**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Section 3.I)**

**INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013**

To the Board of Directors of Türkiye Halk Bankası AŞ:

We have audited the consolidated balance sheet of Türkiye Halk Bankası AŞ ("the Bank") and its financial affiliates (together "the Group") as of 31 December 2013 and the consolidated statements of income, consolidated cash flows and consolidated changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the consolidated financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying consolidated financial statements as of 31 December 2013 include a general reserve amounting to net TRY 132.231 thousands after the reversal of TRY 196.069 thousands in the current period and recorded as income, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial affiliates as of 31 December 2013 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul,
5 March 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/Istanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

The consolidated year end financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE GROUP
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halkbank NV
2. Halk Sigorta AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Hayat ve Emeklilik AŞ	
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	
5. Halk Finansal Kiralama AŞ	
6. Halk Portföy Yönetimi AŞ	
7. Halk Faktoring AŞ	
8. Halk Banka AD, Skopje	

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2013 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 5 March 2014

Hasan Cebeci
*Chairman of the Board of
Directors*

Ali Fuat Taşkesenlioğlu
*Member of the Board of
Directors,
Chief Executive Officer*

Sabahattin Birdal
*Member of the Board of
Directors,
Member of the Audit
Committee*

Ahmet Yarız
*Member of the Board of
Directors,
Member of the Audit
Committee*

Mehmet Hakan Atilla
*Financial Management and
Planning
Vice Chief Executive Officer (V)*

Yusuf Duran Ocak
*Financial Accounting and
Reporting Department Head*

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Gönül Özdemir / Manager
Tel No : 0312 289 30 13
Fax No : 0312 289 30 50

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TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the "Parent Bank" or "Halkbank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31 December 2013		% 31 December 2012		%
Prime Ministry Privatization Administration ^(1,2)	638,276	51,06	638,276	51,06	
Public shares ⁽²⁾	611,272	48,90	611,266	48,90	
Other shareholders	452	0,04	458	0,04	
Total	1.250.000	100,00	1.250.000	100,00	

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank's shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638,826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares of the Parent Bank are controlled and represented by the Parent Bank's Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan CEBEÇİ	Chairman of the Board of Directors	13.4.2005	Ankara Eco. and Com. Science (ECS) Academy-Economy Finance	34
Süleyman KALKAN	Vice Chairman of the Board of Directors	14.2.2013	Ankara University, Faculty of Political Science - International Relations Department.	30
Ali Fuat TAŞKESENİOĞLU ¹⁷⁾	Member of the Board of Directors, Chief Executive Officer	7.2.2014	Bachelor Degree: Beykent University Social Science Ins. Business Administration Atatürk University, Faculty of Economic and Administrative Sciences-Business Administration.	26
Süleyman ASLAN ¹⁷⁾	Directors, Chief Executive Officer	15.7.2011	METU Faculty of Economic and Administrative Sciences-International Relations Department.	21
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University-Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc.). Bachelor Degree: METU - Faculty of Engineering-Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. - International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Business Administration.	21
Sabahattin BIRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
İsmail Erol İŞBİLEN	Member of the Board of Directors	14.2.2013	Bachelor Degree: Ankara University, Faculty of Political Sciences - Economy and Public Finance Department	28
Faruk ÖZÇELİK	Member of the Audit Committee	29.3.2013 ¹⁷⁾	Master's Degree: Selçuk University Social Sciences Ins-International Relations, Ankara Uni. Faculty of Political Science- Business Administration.	3
Ali ARSLAN	Member of the Audit Committee	29.3.2013 ¹⁷⁾	Master's Degree: Cleveland State University Business School(MBA) Bachelor Degree: Cukurova University, Faculty of Economic and Administrative Sciences-Business Administration	21
Yakup DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	24
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	24
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	22
Selahattin SÜLEYMANOĞLU	Executive Vice President	17.2.2007	Master Degree: Selçuk University Social Sciences Ins-International Relations. Bachelor's Degree: Gazi University, Faculty of Economic and Administrative Sciences-Business Administration.	23
Mehmet Akif AYDEMİR	Executive Vice President	4.3.2010	Ankara University, Faculty of Political Sciences -Economics.	27
Taner AKSEL	Executive Vice President	26.3.2010	Anadolu University, Faculty of Economic and Administrative Sciences-Economics.	27
Ufuk Hacer DENİZCI YÜCE	Executive Vice President	12.10.2010	Istanbul Technical University Business Administration Faculty-Business Engineering.	24
Mürsel ERTAŞ	Executive Vice President	12.10.2010	Gazi University, Faculty of Economic and Administrative Sciences-Foreign Trade & Exchange.	27
İsmail Hakkı İMAMOĞLU	Executive Vice President	28.3.2011	Ankara Eco. Com. Science (ECS) Academy - Faculty of Management Sciences - Department of Social Politics.	29
Atalay TARDUŞ	Executive Vice President	4.8.2011	METU Faculty of Economic and Administrative Sciences-Department of Economics.	21
Mehmet Hakan ATILLA	Executive Vice President	11.11.2011	Gazi University, Faculty of Economic and Administrative Sciences-Department of Economics.	18
Murat UYSAL	Executive Vice President	11.11.2011	Master's Degree: Marmara University, Banking and Insurance Ins.-Banking Department. Bachelor Degree: Istanbul Uni.-Faculty of Economic and Administrative Sciences-Department of Economics	15

¹⁷⁾ Assigned date for Audit Committee.

¹⁸⁾ Süleyman Aslan had been on duty both as member of Board of Directors and the Chief Executive Officer of the Parent Bank until 7 February 2014. As of this date he has continued on his duties as a member of Board of Directors of the Parent Bank. The Istanbul Chief Public Prosecutor's Office has included Mr. Süleyman ASLAN for the scope of judicial inquiry.

¹⁹⁾ Ali Fuat Taşkesenlioğlu is assigned as a member of Board of Directors and Chief Executive Officer of Halkbank on 7 February 2014.

People mentioned above do not own any shares in the Parent Bank's capital.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a) The professionals to the Parent Bank's top management who have assigned to their position in 2013 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Süleyman KALKAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
İsmail Erol İŞBİLEN	Member of the Board of Directors	29 March 2013

b) The professionals from the Parent Bank's top management who have left their position in 2013 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Mehmet Emin ÖZCAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
Hikmet Aydın SİMİT	Member of the Board of Directors	29 March 2013
Ahmet KAHRAMAN	Member of the Board of Directors	29 December 2013

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of this amendment, the privatization period of the Parent Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1) When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul A.Ş. as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23.92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as of 31 July 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Parent Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2013, the Parent Bank operates with a total of 877 branches consisting of 872 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 38 satellite branches and 2 financial services branches. The Parent Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

is accounted by "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("the Company"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company's main operative target is, based on the Capital Markets Board's ("CMB") regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which the is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

Halk Faktoring AŞ ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. A.Ş, is not accounted in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. A.Ş is included in the scope of consolidation by-line by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks' shares are equal and thus, the Bank has no control.

VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediately transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
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TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

	Note	Audited Current period			Audited Prior period		
		31 December 2013			31 December 2012		
		TRY	FC	Total	TRY	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.801.122	17.220.273	20.021.395	1.606.841	10.910.237	12.517.078
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	33.681	151.639	185.320	53.997	95.750	149.747
21 Trading financial assets		33.681	151.639	185.320	53.997	95.750	149.747
21.1 Public sector debt securities		23.019	11.843	34.862	41.068	10.532	51.600
21.2 Share certificates		2.285	-	2.285	1.435	-	1.435
21.3 Financial assets held for trading		3	139.661	139.664	5	82.807	82.812
21.4 Other marketable securities		8.374	135	8.509	11.489	2.411	13.900
2.2 Financial assets 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		-	-	-	-	-	-
III. BANKS	(3)	162.649	1.746.126	1.908.775	208.068	2.380.369	2.588.437
IV. MONEY MARKET PLACEMENTS		230.684	-	230.684	160.206	2.328	162.534
4.1 Interbank money market placements		-	-	-	10.027	2.328	12.355
4.2 Istanbul Stock Exchange Money Market placements		226.561	-	226.561	150.055	-	150.055
4.3 Receivables from reverse repurchase agreements		4.123	-	4.123	124	-	124
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	7.681.406	2.146.543	9.827.949	8.777.685	877.980	9.655.665
5.1 Share certificates		12.759	3.850	16.609	12.506	3.521	16.027
5.2 Public sector debt securities		7.658.640	2.142.693	9.801.333	8.759.105	874.459	9.633.564
5.3 Other marketable securities		10.007	-	10.007	6.074	-	6.074
VI. LOANS AND RECEIVABLES	(5)	59.943.579	25.025.348	84.968.927	47.978.449	17.940.792	65.919.241
6.1 Loans and receivables		59.508.730	25.023.517	84.532.247	47.635.441	17.938.757	65.574.198
6.1.1 Loans extended to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		59.508.730	25.023.517	84.532.247	47.635.441	17.938.757	65.574.198
6.2 Loans under follow-up		2.245.176	19.032	2.264.208	1.959.646	14.427	1.974.073
6.3 Specific provisions (-)		1.810.327	17.201	1.827.528	1.616.638	12.392	1.629.030
VII. FACTORING RECEIVABLES		325.332	-	325.332	463	-	463
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	17.830.196	1.143.402	18.973.598	12.181.601	1.461.490	13.643.091
8.1 Public sector debt securities		17.822.902	1.143.402	18.966.304	12.174.516	1.461.490	13.636.006
8.2 Other marketable securities		7.294	-	7.294	7.085	-	7.085
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	20.703	206.348	227.051	20.978	155.676	176.654
9.1 Accounted under equity method		14.384	206.348	220.732	14.324	155.676	170.000
9.2 Unconsolidated associates		6.319	-	6.319	6.654	-	6.654
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		6.319	-	6.319	6.654	-	6.654
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	30.604	-	30.604	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		30.604	-	30.604	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted under equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	213.634	1.480.122	1.693.756	138.722	935.495	1.074.217
12.1 Finance lease receivables		257.566	1.708.375	1.965.941	168.939	1.078.830	1.247.769
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		43.932	228.253	272.185	30.217	143.335	173.552
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1.426.005	37.297	1.463.302	1.488.288	29.053	1.517.341
XV. INTANGIBLE ASSETS (Net)	(13)	50.567	16.472	67.039	40.796	15.211	56.007
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		50.567	16.472	67.039	40.796	15.211	56.007
XVI. INVESTMENT PROPERTIES (Net)	(14)	36.344	-	36.344	28.156	-	28.156
XVII. TAX ASSET	(15)	16.771	-	16.771	236.438	39	236.477
17.1 Current tax asset		-	-	-	216	39	255
17.2 Deferred tax asset		16.771	-	16.771	236.222	-	236.222
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	6.971	-	6.971	6.009	-	6.009
18.1 Held for sale purpose		6.971	-	6.971	6.009	-	6.009
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1.412.132	140.332	1.552.464	1.247.121	76.494	1.323.615
TOTAL ASSETS		92.222.380	49.313.902	141.536.282	74.173.818	34.880.914	109.054.732

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Audited Current period 31 December 2013			Audited Prior period 31 December 2012		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	64.388.562	36.006.617	100.395.179	53.632.847	26.166.676	79.799.523
11 Deposits Held by the Risk Group of the Bank		34.628	23	34.651	23.690	-	23.690
12 Other		64.353.934	36.006.594	100.360.528	53.609.157	26.166.676	79.775.833
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	34	53.458	53.492	14	50.268	50.282
III. FUNDS BORROWED	(3)	1.145.123	13.941.229	15.086.352	585.053	7.446.017	8.031.070
IV. MONEY MARKET BALANCES	(3)	1.261.476	-	1.261.476	405.054	310.222	715.276
41 Interbank money market borrowings		-	-	-	-	-	-
42 Istanbul Stock Exchange Takasbank borrowings		481.944	-	481.944	297.857	-	297.857
43 Funds from repurchase agreements		779.532	-	779.532	107.197	310.222	417.419
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	933.279	3.218.387	4.151.666	772.811	1.346.168	2.118.979
51 Treasury bills		845.573	-	845.573	685.137	-	685.137
52 Asset-backed securities		-	-	-	-	-	-
53 Bonds		87.706	3.218.387	3.306.093	87.674	1.346.168	1.433.842
VI. FUNDS	(5)	1.488.542	-	1.488.542	1.407.887	-	1.407.887
61 Borrower Funds		24.702	-	24.702	27.221	-	27.221
62 Other		1.463.840	-	1.463.840	1.380.666	-	1.380.666
VII. SUNDRY CREDITORS		1.572.133	121.032	1.693.165	1.194.903	78.773	1.273.676
VIII. OTHER LIABILITIES	(6)	1.028.232	328.445	1.356.677	1.148.634	193.519	1.342.153
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses ()		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	2.446.264	11.297	2.457.561	2.276.332	21.186	2.297.518
12.1 General loan provisions		1.134.717	7.696	1.142.413	972.148	4.067	976.215
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		525.157	389	525.546	405.522	143	405.665
12.4 Insurance technical reserves (Net)		536.283	-	536.283	460.154	-	460.154
12.5 Other provisions		250.107	3.212	253.319	438.508	16.976	455.484
XIII. TAX LIABILITY	(10)	218.928	2.229	221.157	516.105	2.007	518.112
13.1 Current tax liability		210.243	77	210.320	515.652	4	515.656
13.2 Deferred tax liability		8.685	2.152	10.837	453	2.003	2.456
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	13.349.116	21.899	13.371.015	11.378.918	121.338	11.500.256
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital reserves		1.120.017	(143.043)	976.974	1.577.835	49.710	1.627.545
16.2.1 Share Premium		39.009	-	39.009	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		(141.626)	(143.043)	(284.669)	35.753	49.710	406.863
16.2.4 Tangible assets revaluation reserves		-	-	-	-	-	-
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		2.183	-	2.183	231	-	231
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1.220.451	-	1.220.451	1.220.451	-	1.220.451
16.3 Profit reserves		797.360	90.487	8.063.847	5.927.553	12.069	5.939.622
16.3.1 Legal reserves		1.072.926	3.020	1.075.946	914.952	-	914.952
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		6.838.498	-	6.838.498	4.957.790	-	4.957.790
16.3.4 Other profit reserves		61.936	87.467	149.403	54.811	12.069	66.880
16.4 Profit/Loss		2.844.782	72.465	2.917.247	2.620.256	58.071	2.678.327
16.4.1 Prior years income/loss		19.497	55.052	74.549	(10.483)	46.463	35.980
16.4.2 Period profit/loss		2.825.285	17.413	2.842.698	2.630.739	11.608	2.642.347
16.5 Minority shares	(14)	160.957	1.990	162.947	3.274	1.488	4.762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		87.831.689	53.704.593	141.536.282	73.318.558	35.736.174	109.054.732

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	Audited		Audited		Total	
		Current period		Prior period			
		TRY	FC	TRY	FC		
			31 December 2013		31 December 2012		
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		36.152.140	31.547.845	67.699.985	23.769.387	20.116.776	43.886.163
I. GUARANTEES AND SURETYSHIPS	(1)	12.812.483	14.307.946	27.120.429	9.759.258	9.999.607	19.758.865
11 Letters of guarantee		12.237.139	8.156.797	20.393.936	9.448.123	5.765.736	15.213.859
11.1 Guarantees subject to public procurement law		1.070.118	6.452.989	7.523.107	6.139.27	4.505.391	5.119.318
11.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
11.3 Other letters of guarantee		11.167.021	1.703.808	12.870.829	8.834.196	1.260.345	10.094.541
12 Bank loans		90.489	1.854.314	1.944.803	31.047	1.152.260	1.183.307
12.1 Import acceptances		-	165.770	165.770	-	198.974	198.974
12.2 Other bank acceptances		90.489	1.688.544	1.779.033	31.047	953.286	984.333
13 Letters of credit		2.062	3.823.197	3.825.259	1.661	2.808.076	2.809.737
13.1 Documentary letters of credit		2.062	3.823.197	3.825.259	1.661	2.808.076	2.809.737
13.2 Other letters of credit		-	-	-	-	-	-
14 Guaranteed prefinancings		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
15.1 Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
15.2 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		482.563	473.638	956.201	278.197	273.535	551.732
19 Other surety ships		230	-	230	230	-	230
II. COMMITMENTS	(1)	18.187.773	1.341.029	19.528.802	12.923.651	1.627.404	14.551.055
21 Irrevocable commitments		18.187.773	1.175.935	19.363.708	12.923.651	1.507.949	14.431.600
21.1 Forward asset purchase commitments		619.400	842.453	1.461.853	114.683	1.194.372	1.309.055
21.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
21.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
21.4 Loan granting commitments		1.280.418	291.840	1.572.258	820.602	232.840	1.053.442
21.5 Securities underwriting commitments		-	-	-	-	-	-
21.6 Payment commitments for reserve deposits		-	-	-	-	-	-
21.7 Payment commitments for cheques		4.670.295	-	4.670.295	4.575.929	-	4.575.929
21.8 Tax and fund liabilities from export commitments		13.413	-	13.413	13.903	-	13.903
21.9 Commitments for credit card expenditure limits		9.883.048	13.672	9.896.720	6.013.182	8.223	6.021.405
21.10 Commitments for credit cards and banking services promotions		3.766.3	-	3.766.3	30.707	-	30.707
21.11 Receivables from short sale commitments		-	-	-	-	-	-
21.12 Payables for short sale commitments		-	-	-	-	-	-
21.13 Other irrevocable commitments		1.683.536	2.790	1.711.506	1.354.645	72.514	1.427.159
2.2 Revocable commitments		-	165.094	165.094	-	119.455	119.455
2.2.1 Revocable loan granting commitments		-	165.094	165.094	-	119.455	119.455
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		5.151.884	15.898.870	21.050.754	1.086.478	8.489.765	9.576.243
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
31.1 Fair value risk hedging transactions		-	-	-	-	-	-
31.2 Cash flow risk hedging transactions		-	-	-	-	-	-
31.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		5.151.884	15.898.870	21.050.754	1.086.478	8.489.765	9.576.243
3.2.1 Forward foreign currency buy/sell transactions		787.780	1.115.702	1.903.482	290.326	1.090.474	1.380.800
3.2.1.1 Forward foreign currency transactions-buy		405.623	6.214.65	10.270.888	137.840	507.551	6.453.391
3.2.1.2 Forward foreign currency transactions-sell		382.157	494.237	876.394	152.486	582.923	7.35.409
3.2.2 Currency and interest rate swaps		4.251.671	14.489.241	18.740.912	594.655	6.634.821	7.229.476
3.2.2.1 Currency swap-buy		-	8.732.436	8.732.436	-	3.633.289	3.633.289
3.2.2.2 Currency swap-sell		4.251.671	4.400.005	8.651.676	594.655	3.001.532	3.596.187
3.2.2.3 Interest rate swap-buy		-	678.400	678.400	-	-	-
3.2.2.4 Interest Rate swap-sell		-	678.400	678.400	-	-	-
3.2.3 Currency, interest rate and marketable securities options		112.433	138.604	251.037	142.397	138.737	281.134
3.2.3.1 Currency call options		56.220	69.298	125.518	71.195	69.373	140.568
3.2.3.2 Currency put options		56.213	69.306	125.519	71.202	69.364	140.566
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	155.323	155.323	591.000	625.733	684.833
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		322.143.546	72.531.854	394.675.400	704.741.097	371.861.692	1.076.602.789
IV. CUSTODIES		135.991.685	10.912.202	146.903.887	104.502.284	7.950.683	112.452.967
41 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		44.041.971	355.831	44.397.802	35.132.148	261.407	35.393.555
4.3 Cheques in collection process		9.638.204	8.067.551	17.705.755	6.836.403	5.949.001	12.785.404
4.4 Commercial notes in collection process		59.338.391	309.893	59.648.284	44.209.012	264.451	44.473.463
4.5 Other assets in collection process		-	-	-	71	-	71
4.6 Underwritten securities		15	-	15	279	-	279
4.7 Other custodies		11.509	1.691	13.200	49.901	3.280	53.181
4.8 Custodians		22.961.595	2.177.236	25.138.831	18.274.470	1.472.544	19.747.014
V. PLEDGED ASSETS		186.151.861	61.619.652	247.771.513	600.238.813	363.911.009	964.149.822
5.1 Marketable securities		2.612.367	112.204	2.724.571	1.944.632	89.705	2.034.337
5.2 Collateral notes		5.646.399	5.335.530	6.179.929	5.302.288	391.834	5.694.122
5.3 Commodity		25.830	-	25.830	25.830	-	25.830
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		142.679.459	47.405.559	190.085.018	119.592.505	37.487.018	15.707.952
5.6 Other pledged assets		32.207.115	12.594.731	44.801.846	470.862.982	325.350.131	796.213.113
5.7 Pledges		2.980.691	973.628	3.954.319	2.510.576	592.321	3.102.897
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		358.295.686	104.079.699	462.375.385	728.510.484	391.978.468	1.120.488.952

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	Audited
		Current period 1 January- 31 December 2013	Prior period 1 January- 31 December 2012
I. INTEREST INCOME	(1)	9.391.175	9.122.181
11 Interest on loans		7.147.995	6.741.181
12 Interest received from reserve deposits		720	586
13 Interest received from banks		20.213	12.306
14 Interest received from money market placements		1.425	10.720
15 Interest income on marketable securities		2.089.823	2.268.015
15.1 Financial assets held for trading		5.397	3.845
15.2 Financial assets at fair value through profit and loss		-	-
15.3 Financial assets available-for-sale		794.618	826.555
15.4 Investments held-to-maturity		1.289.808	1.437.615
16 Finance lease income		104.299	80.301
17 Other interest income		26.700	9.072
II. INTEREST EXPENSE	(2)	4.397.625	4.537.510
2.1 Interest on deposits		3.800.927	4.064.058
2.2 Interest on borrowings		259.963	183.578
2.3 Interest on money market borrowings		103.819	137.742
2.4 Interest on bonds issued		180.911	98.290
2.5 Other interest expense		52.005	53.842
III. NET INTEREST INCOME [I - II]		4.993.550	4.584.671
IV. NET FEES AND COMMISSIONS INCOME		852.825	810.733
4.1 Fees and commissions income		1.159.547	1.006.174
4.1.1 Non-cash loans		159.371	120.487
4.1.2 Other		1.000.176	885.687
4.2 Fees and commissions expenses		306.722	195.441
4.2.1 Non-cash loans		3.678	3.427
4.2.2 Other		303.044	192.014
V. DIVIDEND INCOME	(3)	11.780	758
VI. NET TRADING PROFIT (NET)	(4)	246.791	555.891
6.1 Profit/loss from capital market operations		323.093	388.914
6.2 Profit/loss from financial derivative transactions		462.114	(207.052)
6.3 Foreign exchange gains/losses		(538.416)	374.029
VII. OTHER OPERATING INCOME	(5)	1.362.299	733.262
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		7.467.245	6.685.315
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	887.616	900.899
X. OTHER OPERATING EXPENSES(-)	(7)	3.085.162	2.396.633
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		3.494.467	3.387.783
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		11.915	11.978
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	3.506.382	3.399.761
XVI. TAX INCOME PROVISION ()	(9)	(653.657)	(756.717)
16.1 Current tax provision		(301.317)	(1.034.121)
16.2 Deferred tax provision		(352.340)	277.404
XVII. NET OPERATING INCOME AFTER TAX (XV - XVI)	(10)	2.852.725	2.643.044
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS ()	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX - XXI)	(10)	-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	2.852.725	2.643.044
Group's profit/loss		2.842.698	2.642.347
Minority shares profit/loss		10.027	697
Earnings/losses per share (Full TRY)		2,27416	2,11388

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited	Audited
	Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January- 31 December 2013	1 January- 31 December 2012
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(827.475)	820.571
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	75.778	(191)
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	20.357	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	124.508	(135.486)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	(606.832)	684.894
XI. PROFIT/LOSS	2.852.725	2.643.044
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	306.427	406.175
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	2.546.298	2.236.869
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X XI)	2.245.893	3.327.938

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid in capital	Effect of initiation adjustments	Share cancellation premium	Share certificate profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)	Valuation changes in marketable equip. and int. sec.	Revaluation changes in prop. and assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale/ term. op.	Total equity excluding minority shares	Minority equity	Total equity
I. Balance at end of prior period	2012	1.250.000	1.220.451	-	-	765.200	-	3.447.828	67.040	2.027.379	54.104	(278.203)	-	231	-	-	8.544.030	6.840	8.560.870
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21. The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Changes within the period		1.250.000	1.220.451	-	-	765.200	-	3.447.828	67.040	2.027.379	54.104	(278.203)	-	231	-	-	8.544.030	6.840	8.560.870
IV. Increases/decreases generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Issuance of shares/certificates at end of period		-	-	-	-	-	-	-	-	-	-	686.066	-	-	-	-	686.066	19	686.085
VI. Issuance of shares/certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61. Cash flow equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62. Hedging for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63. Hedging for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation changes of intangible assets and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	(160)	-	-	-	-	-	-	-	(160)	0	(160)
XI. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in shareholders' equity of investments and associates to bank's shareholders' equity		-	-	-	19	-	-	842	-	-	-	-	-	-	-	-	981	(276)	(178)
XIV. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142. From financial resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Share cancellation losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	149.613	-	1.503.120	-	2.642.347	(81.24)	-	-	-	-	-	2.642.347	697	2.643.044
XX. Profit distribution		-	-	-	-	-	-	-	(2.027.379)	(2.027.379)	(81.24)	-	-	-	-	-	(386.700)	-	(386.700)
XXI. Dividend distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
202. Transfers to legal reserves		-	-	-	-	149.613	-	1.503.120	-	(2.027.379)	(81.24)	-	-	-	-	-	(386.700)	-	(386.700)
203. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	914.952	-	4.957.790	66.880	2.642.347	35.980	406.863	-	231	-	-	11.995.494	4.782	11.500.256
I. Balance at end of prior period	2013	1.250.000	1.220.451	-	-	914.952	-	4.957.790	66.880	2.642.347	35.980	406.863	-	231	-	-	11.995.494	4.782	11.500.256
II. Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	(699.200)	-	-	-	-	(699.200)	(89)	(699.289)
IV. Hedging Funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41. Cash flow equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42. Hedging for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes after reclassification of securities		-	-	-	-	-	-	-	67.763	-	-	7.669	-	-	-	-	74.432	346	75.178
XI. Changes in shareholders' equity of investments and associates to bank's shareholder's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Decrease in capital		-	-	-	-	694	-	(8.689)	-	-	-	-	-	-	-	-	29.776	14.933	17.669
121. Cash		-	-	-	-	694	-	(8.689)	-	-	-	-	-	-	-	-	29.776	14.933	17.669
122. From financial resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	14.760	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	1.685.397	-	1.889.397	-	2.842.698	38.569	-	-	-	-	-	14.760	(36)	14.724
XVIII. Dividend distribution		-	-	-	-	161.588	-	1.889.397	-	(2.842.347)	(38.569)	-	-	-	-	-	(284.298)	10.027	(294.325)
182. Transfers to legal reserves		-	-	-	-	161.588	-	1.889.397	-	-	-	-	-	-	-	-	(284.298)	10.027	(294.325)
183. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.075.946	-	6.838.498	149.403	2.842.698	74.549	624.669	-	2.83	-	-	13.208.068	162.947	13.371.015

*The effects of changes on the share ratio is indicated in consequence of privatization of Halk Gayrimenkul Yatırım Ortaklığı AŞ by a public offering on 15 February 2013

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Current period	Audited Prior period
	Note	31 December 2012
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	2.683.132	4.078.095
11.1 Interest received	8.847.321	9.376.616
11.2 Interest paid	(3.596.875)	(4.455.076)
11.3 Dividend received	9.718	758
11.4 Fees and commissions received	1.159.547	1.006.174
11.5 Other income	1.113.951	560.961
11.6 Collections from previously written off loans	553.401	480.428
11.7 Cash payments to personnel and service suppliers	(1.187.848)	(918.017)
11.8 Taxes paid	(711.373)	(800.795)
11.9 Other	(1) (3.504.710)	(1.172.954)
1.2 Assets and Liabilities Subject to Banking Operations	2.688.704	(5.203.576)
12.1 Net decrease in financial assets held for sale	20.562	(9.643)
12.2 Net (increase) decrease in financial assets at fair value through profit or loss	-	-
12.3 Net (increase) decrease in due from banks and other financial institutions	(6.000)	-
12.4 Net (increase) decrease in loans	(18.988.536)	(9.804.510)
12.5 Net (increase) decrease in other assets	(7.106.341)	(6.546.665)
12.6 Net increase (decrease) in bank deposits	2.614.830	446.329
12.7 Net increase (decrease) in other deposits	17.913.033	13.073.266
12.8 Net increase (decrease) in loans borrowed	7.021.741	10.19.854
12.9 Net increase (decrease) in matured payables	-	-
12.10 Net increase (decrease) in other liabilities	(1) 1.219.415	(3.382.207)
I. Net cash provided from banking operations	5.371.836	(1.125.481)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(5.574.683)	822.769
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(13.540)	(31.078)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	1.512
2.3 Fixed assets purchases	(330.565)	(494.110)
2.4 Fixed assets sales	259.362	242.486
2.5 Cash paid for purchase of financial assets available for sale	(12.045.773)	(4.036.358)
2.6 Cash obtained from sale of financial assets available for sale	7.781.686	4.882.876
2.7 Cash paid for purchase of investment securities	(5.077.884)	(2.191.545)
2.8 Cash obtained from sale of investment securities	3.865.533	2.461.322
2.9 Other	(13.502)	(12.336)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities	829.628	1.294.485
3.1 Cash obtained from loans borrowed and securities issued	3.601.467	2.916.575
3.2 Cash used for repayment of loans borrowed and securities issued	(2.250.000)	(1.235.320)
3.3 Bonds issued	-	-
3.4 Dividends paid	(552.793)	(386.770)
3.5 Payments for finance leases	-	-
3.6 Other	30.954	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1) 638.106	(521.045)
V. Net increase / (decrease) in cash and cash equivalents	1.264.887	470.728
VI. Cash and cash equivalents at beginning of the period	(4) 5.254.694	4.783.966
VII. Cash and cash equivalents at end of the period	(5) 6.519.581	5.254.694

TÜRKİYE HALK BANKASI A.Ş.

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION TABLE⁽¹⁾

	Audited Current period 31 December 2013	Audited Prior period 31 December 2012
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11. Current Period Profit	3,364,892	3,329,139
12. Taxes and Legal Duties Payables (-)	614,049	733,928
12.1. Corporate Tax (Income Tax)	262,808	1,021,768
12.2. Withholding Tax	-	-
12.3. Other Taxes and Duties	351,241	(287,840)
A. Net Profit For The Period (11-1.2)	2,750,843	2,595,211
13. Accumulated Losses (-)	-	-
14. First Legal Reserves (-)	-	115,370
15. Other Statutory Reserves (-)	-	287,840
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	2,750,843	2,192,001
16. First Dividend to shareholders (-)	-	62,500
16.1. To Owners of Ordinary Shares	-	62,500
16.2. To Owners of Privileged Shares	-	-
16.3. To Owners of Redeemed Shares	-	-
16.4. To Profit Sharing Bonds	-	-
16.5. To Holders of Profit and Loss Sharing Certificates	-	-
17. Dividends to personnel (-)	-	90,000
18. Dividends to Board of Directors (-)	-	-
19. Second Dividend to Shareholders (-)	-	398,974
19.1. To Owners of Ordinary Shares	-	398,974
19.2. To Owners of Privileged Shares	-	-
19.3. To Owners of Redeemed Shares	-	-
19.4. To Profit Sharing Bonds	-	-
19.5. To Holders Of Profit And Loss Sharing Certificates	-	-
110. Second Legal Reserves (-)	-	48,897
111. Status Reserves (-)	-	-
112. Extraordinary Reserves	-	1,591,630
113. Other Reserves	-	-
114. Special Funds	-	-
II. Distribution of Reserves		
21. Appropriated Reserves	-	-
22. Second Legal Reserves (-)	-	-
23. Dividends to Shareholders (-)	-	-
23.1. To Owners of Ordinary Shares	-	-
23.2. To Owners of Privileged Shares	-	-
23.3. To Owners of Redeemed Shares	-	-
23.4. To Profit Sharing Bonds	-	-
23.5. To Holders of Profit and Loss Sharing Certificates	-	-
24. Dividends to Personnel (-)	-	-
25. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
31. To Owners of Ordinary Shares	2,2007	2,0762
32. To Owners of Ordinary Shares (%)	%2201	%2076
33. To Owners of Privileged Shares	-	-
34. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
41. To Owners of Ordinary Shares	-	0,3692
42. To Owners of Ordinary Shares (%)	-	%36,92
43. To Owners of Privileged Shares	-	-
44. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ Due to regulations in Turkey, profit is not distributed over consolidated figures. Therefore, above table only includes the profit distribution of the Parent Bank. Profit distribution decisions are only made by Parent Bank's general assembly. General assembly has not been held yet as of the date when the Parent Bank's financial statements are formed.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), Communiqué on "Banks' Accounting Practice and Maintaining Documents" and other communiqués and interpretations of Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the consolidated financial statements are expressed in detail below.

Additional paragraph for convenience translation to English

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

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1. The Group's strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Group can raise funds from foreign borrowing and money market borrowing.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2. The Group's explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

Demir-Halkbank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Qualified share is the share that directly or indirectly constitute ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquirer's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquirer's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisitions.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, forwards and credit default swaps. The Group has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

V. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. FEES AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

a. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

b. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Group has not any financial assets at fair value through profit and loss as of 31 December 2013 and 31 December 2012.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than the bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified 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 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount.

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A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Parent Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets 100% provision for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Other than specific allowances, the Bank provides "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. The Bank is providing 1% general allowance for cash loans and other receivables; 0,2% general allowances for non-cash loans. In accordance with the communiqué "The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 18 June 2011 No: 27968 Official Gazette, the Parent Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

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In accordance with the communiqué "The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Group's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss. Leasehold improvements are depreciated over the lease period by straight line method.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	% 2
Safe-deposit boxes	50	% 2
Other movable properties	2-25	% 4-50
Assets held under financial leases	4-5	% 20-25

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

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XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims, life-mathematical provisions and equalization provisions.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on actuarial bases.

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

In conformity with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. Any deficiency, if there is, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reinstated.

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XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of the Group's management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders' equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years. According to the decree of Council of Ministers dated 3 May 2013 and numbered 3, which was published on the Gazette on 8 April 2013, the related transfer period was prolonged one more year.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2013 and 31 December 2012, no technical deficit has been reported.

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XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 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 against the corporate tax liability for the year. Accrued advance tax as of 31 December 2012 has been paid in April 2013, accrued advance tax as of 31 December 2013 has been paid in February 2014.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches and financial institution operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 2010. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

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Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards-Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia ("IAS 37").

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are accounted under shareholders' equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Parent Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa Istanbul A.Ş as of 10 May 2007.

As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company's shares started to be traded on Borsa Istanbul AŞ at 22 February 2013.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered XII.

XXVI. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Gazette No 28337 of 28 June 2012. The consolidated basis capital adequacy ratio of the Group is 13,31% as of 30 December 2013. (31 December 2012: 15,32%)

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Group uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders' equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of "Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks". Besides, the provisions which are defined in "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside" and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is use.

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2. Consolidated Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
A Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	7478.310	5.600.516	7.566.925	5.630.141
B Capital to be employed for market risk (II)	243.150	133.905	248.356	134.452
C Capital to be employed for operational risk (III)	712.998	601.101	748.688	623.637
Shareholders' equity	14.663.982	12.808.583	14.246.513	12.235.539
Shareholders' equity / (I+II+III) * 12.5*100	13,91	16,17	13,31	15,32

3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in capital	1.250.000	1.250.000	1.250.000	1.250.000
<i>Nominal capital</i>	1.250.000	1.250.000	1.250.000	1.250.000
<i>Capital commitments (-)</i>	-	-	-	-
Adjustment to paid-in capital	1.220.451	1.220.451	1.220.451	1.220.451
Share premium	-	-	39.009	-
Share repeal	-	-	-	-
Legal reserves	810.012	605.280	806.387	593.622
Adjustment to legal reserves	-	-	-	-
Profit	2.750.843	2.595.211	2.917.247	2.678.327
<i>Net current period profit</i>	2.750.843	2.595.211	2.842.698	2.642.347
<i>Prior period profit</i>	-	-	74.549	35.980
Provisions for possible losses up to 25% of core capital	132.231	328.300	132.231	328.300
Profit on sale of associates, subsidiaries and buildings	-	-	-	-
Primary subordinated loans	-	-	-	-
Minority shares	-	-	162.947	4.762
Loss that is not covered with reserves (-)	-	-	-	-
<i>Net current period loss</i>	-	-	-	-
<i>Prior period loss</i>	-	-	-	-
Development cost of operating lease (-)	69.633	78.860	71.033	80.513
Intangible assets (-)	45.147	37.285	67.039	56.007
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-	-	-
Goodwill (Net) (-)	-	-	-	-
Total Core Capital	13.342.757	11.330.617	13.647.660	11.284.942
SUPPLEMENTARY CAPITAL				
General reserves	1134.717	972.148	1142.413	976.215
45% of increase in revaluation fund of movables	-	-	-	-
45% of increase in revaluation fund of fixed assets	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.917	4.969	2.183	231
Primary subordinated loans which are ignored in the calculation of core capital	-	-	-	-
Secondary subordinated loans	-	-	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	210.732	539.786	(293.870)	183.088
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-	-	-
Minority shares	-	-	-	-
Total Supplementary Capital	1.352.366	1.516.903	850.726	1.159.534
CAPITAL	14.695.123	12.847.520	14.498.386	12.444.476
DEDUCTIONS FROM THE CAPITAL	31.141	38.937	251.873	208.937
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	-	-	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	220.732	170.000
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	29.717	36.311	29.717	36.311
Securitization Positions to be Deducted from Equity	-	-	-	-
Other	1.424	2.626	1.424	2.626
TOTAL SHAREHOLDERS' EQUITY	14.663.982	12.808.583	14.246.513	12.235.539

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4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by the Parent Bank. In the analyses, credit risk, market risk, operational risk and asset-liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Parent Bank takes one year period into account in its calculations.

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

In accordance with the Group's risk management policies, the limits are specified in respect of main and sub-sectors. That limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Parent Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the Parent Bank's Credit Committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2013, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,17% and 24,91% of its total cash loans.

As of 31 December 2013, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 54,28% and 64,15% of its total non-cash loans.

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As of 31 December 2013, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,88% and 19,88% of its total balance sheet and off-balance sheet assets.

As of 31 December 2013, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.142.413 (31 December 2012: TRY 976.215).

Risk Classifications:	Current Period		Prior Period	
	Risk Amount ^(*)	Average Risk Amount ^(**)	Risk Amount ^(*)	Average Risk Amount ^(**)
Claims on sovereigns and Central Banks	40.991.173	32.572.898	26.970.291	26.380.463
Claims on regional governments or local authorities	158.890	243.383	315.496	316.454
Claims on administrative bodies and other non-commercial undertakings	294.865	221.166	100.491	106.290
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.724.965	4.759.379	5.814.470	4.972.610
Claims on corporates	40.807.554	35.357.656	29.098.614	28.941.880
Claims included in the regulatory retail portfolios	26.932.347	25.324.597	22.711.054	22.319.741
Claims secured by residential property	20.520.982	18.566.015	15.908.504	15.595.834
Overdue loans	554.376	485.390	401.042	364.345
Higher risk categories decided by the Board	10.216.665	9.164.988	6.301.298	5.912.692
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	5.124.726	5.348.634	5.677.844	5.266.217

^(*) Includes the risk amounts after credit conversions.

^(**) Average risk amounts are the arithmetical average of the amounts after credit conversions in January-December period.

^(***) Average risk amounts are the arithmetical average of the amounts after credit conversions in July-December period.

^(****) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included overdue loans above. (31 December 2012: TRY 55.999)

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Risk profile according to the geographical concentration:

	Risk Classifications ^(*)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans ^(*)	Higher risk categories decided by the Board	Other receivables	Total
Current Period											
1. Domestic	40.868.870	158.890	294.865	2.448.493	40.337.395	26.868.369	20.415.390	552.545	10.036.372	5.114.567	1470.95756
2. EU Countries ^(**)	-	-	-	919.361	90.514	293	-	-	-	-	1010168
3. OECD Countries	-	-	-	22.655	-	-	-	-	-	-	22.655
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	291.892	379.645	63.685	974	-	-	-	292.866
6. Other Countries	122.303	-	-	52.488	104.618	1831	180.293	10.159	915.022	-	990.076
7. Investment and associates, subsidiaries and joint ventures	-	-	-	990.076	-	-	-	-	-	-	-
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	40.991.173	158.890	294.865	4.724.965	40.807.554	26.932.347	20.520.982	554.376	10.216.665	5.124.726	150.326.543
	Risk Classifications ^(*)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans ^(*)	Higher risk categories decided by the Board	Other receivables	Total
Prior Period											
1. Domestic	26.796.345	315.496	100.491	3.219.309	28.567.199	22.500.527	15.895.062	399.007	6.301.298	5.677.711	109.772.445
2. EU Countries ^(**)	-	-	-	525.275	75.245	77	-	-	-	-	600.520
3. OECD Countries	-	-	-	150.4130	9416	-	-	-	-	-	1.536.623
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	445.435	210.450	2.035	-	-	-	364.053
6. Other Countries	173.946	-	-	201.659	13.442	133	104.700	-	-	-	1.363
7. Investment and associates, subsidiaries and joint ventures	-	-	-	44	1.319	-	-	-	-	-	-
8. Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-
9. Total	26.970.291	315.496	100.491	5.814.470	29.098.614	22.711.054	15.908.504	401.042	6.301.298	5.677.844	113.299.104

^(*) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above. (31 December 2012: TRY 55.999)

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

^(***) OECD Countries other than the EU Countries, USA and Canada.

^(****) Includes loan classified under Uniform Accounting Standards -loans except in the first 3 columns and compliant with Article 48 of the Banking Law.

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Risk Profile according to sectors:

	Risk Classifications ^(*)												
	Claims on Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables	Total		
Current Period	TC	FC	TC	FC	TC	FC	TC	FC	TC	FC			
Agricultural	-	7	79	-	82.200	316.514	76.817	21.827	-	59.563	496.325	60.682	557.007
Farming and raising livestock	-	7	79	-	57.234	299.505	66.022	21.729	-	59.484	462.339	41.721	504.060
Forestry	-	-	-	-	-	2.669	708	82	-	79	3.538	-	3.538
Fishing	-	-	-	-	24.966	14.340	10.087	16	-	-	30.448	18.961	49.409
Manufacturing	-	371	84.345	-	16.667.317	4.265.225	6.805.648	194.638	-	123.381	11.791.795	16.349.130	28.140.925
Mining	-	80	49.524	-	168.006	56.344	220.793	2.385	-	-	199.341	297.791	497.132
Production	-	291	34.821	-	148.42.592	4190.951	6.411.124	192.107	-	123.381	11.364.429	14.430.838	25.795.267
Electric, gas and water	-	-	-	-	1.656.719	17.930	173.731	146	-	-	228.025	16.20.501	18.48.526
Construction	-	6	-	-	3.686.109	527.018	1124.827	41.014	-	230.791	3670.634	19.391.131	5.609.765
Services	38.866.216	88.733	150.849	4.724.965	12.346.901	12.740.959	7.207.467	173.729	-	210.0847	47.813.477	30.587.819	78.400.666
Wholesale and retail trade	-	98	68.502	-	5.077.148	7.132.758	3.851.423	101.960	-	5.212	13.281.787	2.955.314	16.237.101
Hotel, food and beverage services	-	10	-	-	676.406	287.821	1.164.641	25.178	-	91	665.388	1.488.759	2.154.147
Transportation and telecommunication	-	-	19.467	-	1.4810.35	3.208.553	316.100	25.178	-	604	3.660.768	1.390.169	5.050.937
Financial institutions	38.845.284	-	-	-	4.724.965	552.020	18.305	160.474	-	1.934.118	25.391.117	20.844.588	46.235.705
Real estate and renting services	3	88.015	18.559	-	3.943.762	1.534.765	1.304.772	11.298	-	155.902	3.745.898	3.311.178	7057.076
Selfemployment services	0	6	-	-	960	436.787	82.666	1.465	-	4.844	512.266	9.462	526.728
Education services	205	16	39.964	-	113.919	416.75	93.968	260	-	2	15.7512	132.557	290.069
Health and social services	20.724	588	4.357	-	501.591	80.295	233.423	7.951	-	74	393.741	455.162	848.903
Other	2124.957	69.773	59.592	-	80.25.027	9.082.631	5.306.223	123.168	10.216.665	2.610.144	34.681.396	2.936.784	37.618.180
Total	40.991.173	158.890	294.865	4.724.965	40.807.554	26.932.347	20.520.982	554.376	10.216.665	5.124.726	98.453.627	51.872.916	150.326.543

^(*) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above.

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

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Risk Profile according to sectors:

Prior Period	Risk Classifications ^(*)										FC	TC	FC	Total
	Claims on regional sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables				
Agricultural	13	35	268	-	97,907	401,163	80,752	23,757	-	46,612	599,361	51,146	650,507	
Farming and raising livestock	13	35	268	-	81,881	379,861	80,733	23,559	-	46,533	577,893	34,990	612,883	
Forestry	-	-	-	-	262	3,277	12	184	-	79	3,814	-	3,814	
Fishing	-	-	-	-	15,764	180,25	7	14	-	-	17,654	16,156	33,810	
Manufacturing	-	172	63,114	-	14,670,887	35,74,624	4,073,424	121,683	-	120,669	10,602,106	12,122,467	22,724,573	
Mining	-	56	38,433	-	228,058	115,416	51,836	2,167	-	-	232,149	203,817	435,966	
Production	-	116	19,005	-	13,360,181	3,528,279	3,817,344	119,461	-	120,669	9,947,600	11,017,455	20,965,055	
Electric, gas and water	-	-	5,676	-	1,082,648	30,929	204,244	55	-	-	422,357	901,195	1,323,552	
Construction	-	41	-	-	2,577,633	731,942	707,721	25,593	-	331,503	2,927,909	1,446,524	4,374,433	
Services	255,467,03	116,191	34,319	5,814,470	10,011,161	9,587,890	4,286,734	133,284	-	302,042	33,761,303	22,070,491	55,831,794	
Wholesale and retail trade	-	226	16,000	-	4,561,850	5,314,148	2,984,131	9,489,8	-	5192	10,677,098	2,299,347	12,976,445	
Hotel, food and beverage services	-	10	-	-	110,5723	348,035	249,577	4,086	-	91	633,628	1073,894	1,707,522	
Transportation and telecommunication	-	-	201	-	530,393	2,145,511	481,273	10,975	-	600	2,649,348	519,605	3,168,953	
Financial institutions	25,538,389	-	-	5,814,470	454,584	35,597	35	403	-	87,649	16,611,691	15,319,436	31,931,127	
Real estate and renting services	252	114,257	16,641	-	2,788,136	1,277,556	387,828	4,338	-	202,235	2,373,821	2,417,422	4,791,243	
Self employment services	-	6	-	-	5,867	297,526	54,683	1,229	-	6,195	365,299	207	365,506	
Education services	254	2	1,391	-	105,936	54,776	26,214	242	-	3	158,754	30,064	188,818	
Health and social services	7808	1690	86	-	458,672	114,741	101,993	17,113	-	77	291,664	410,516	702,180	
Other	14,233,575	199,057	2,790	-	1,741,026	8,315,435	6,760,873	96,725	6,301,298	4,877,018	26,831,548	2,886,249	29,717,797	
Total	26,970,291	315,496	100,491	5,814,470	29,098,614	22,711,054	15,908,504	401,042	6,301,298	5,677,844	74,722,227	38,576,877	113,299,104	

^(*) As of 31 December 2012, overdue finance lease receivables amounting to TRY 55,999 is included in the overdue loans above.

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

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Distribution of maturity risk factors according to their outstanding maturities:

Current Period	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	8.952.583	7.681.052	4.140.188	5.073.100	15.144.250
2.Claims on regional governments or local authorities	11.722	4.760	13.769	49.373	79.266
3.Claims on administrative bodies and other non-commercial undertakings	79.123	82.071	14.075	24.350	95.246
4.Claims on banks and intermediary institutions	2.597.652	327.050	335.173	326.302	403.872
5.Claims on corporate	13.576.114	2.437.572	4.713.025	6.344.340	23.773.154
6.Claims included in the regulatory retail portfolios	1.564.452	1.983.345	3.758.355	5.289.306	31.533.086
7. Overdue loans ^(*)	554.376	-	-	-	-
8. Other receivables	3.620.843	272.734	133.439	488.525	609.185
Total	30.956.865	12.788.584	13.108.024	17.595.296	71.638.059

^(*) Commitments amounting TRY 4.239.715 are not included in the table above.

^(**) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above.

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

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

Prior Period	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	4.257.338	5.375.373	2.096.707	3.434.728	11.754.126
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.792	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.339.337	343.394	96.822	107.896	255.036
5.Claims on corporate	6.198.322	2.226.029	2.915.786	4.181.982	16.436.713
6.Claims included in the regulatory retail portfolios	2.682.425	1.907.803	2.616.879	4.844.321	27.362.337
7. Overdue loans ^(*)	401.042	-	-	-	-
8. Other receivables	4.207.864	172.390	142.782	495.728	659.080
Total	22.157.943	10.032.938	7.885.441	13.151.057	56.699.815

^(*) Commitments amounting TRY 3.371.910 are not included in the table above.

^(**) As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the overdue loans above.

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

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

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Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

In determining the risk weights for the exposures to banks which are settled abroad, Fitch Ratings' risk ratings are used.

Additionally, for the foreign exchange securities issued by Turkish Treasury and for the foreign exchange exposures to Turkish Central Government, Fitch Ratings' risk ratings are used.

Mapping Table	Credit Quality Grade	Fitch Ratings
Long term Credit Assessments	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Short term Credit Assessments	1	F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	---
	6	---

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	41.258.345	-	3.486.593	4.119.279	42.694.294	48.551.367	1.925.702	8.257.026	33.937	389.945
2. Amount after Credit Risk Mitigation	43.068.400	-	3.964.070	24.975.703	25.133.023	42.968.682	1.925.702	8.257.026	33.937	389.945

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.123.892	-	5.341.348	3.807.964	35.852.634	34.871.968	1.235.943	5.065.355	345.457
2. Amount after Credit Risk Mitigation	28.837.348	-	5.628.064	19.600.910	21.861.666	31.069.818	1.235.943	5.065.355	345.457

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Risk balances according to risk weights:

Information according to sectors and counterparties:

Current Period	Loans			
	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments	Provisions
Sectors / Counterparties				
Agricultural	98.679	11.206	440	76.845
<i>Farming and raising livestock</i>	91.012	9.975	377	69.276
<i>Forestry</i>	636	69	4	554
<i>Fishing</i>	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
<i>Mining</i>	10.515	4.391	5.520	8.126
<i>Production</i>	741.278	1.014.818	50.752	543.959
<i>Electric, gas and water</i>	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
<i>Wholesale and retail trade</i>	523.705	191.348	7.587	411.641
<i>Hotel, food and beverage services</i>	111.390	18.855	536	86.822
<i>Transportation and telecommunication</i>	44.109	31.644	1.222	33.046
<i>Financial institutions</i>	10.448	1.733	48	9.910
<i>Real estate and renting services</i>	31.091	7.929	7.379	24.697
<i>Self-employment services</i>	6.358	5.681	172	4.886
<i>Education services</i>	1.834	1.910	63	1.573
<i>Health and social services</i>	20.204	39.780	1.707	12.353
Other	495.650	249.025	11.383	493.817
Total	2.264.208	1.734.530	90.911	1.827.528

(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Prior Period	Loans			
	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments	Provisions
Sectors / Counterparties				
Agricultural	103.642	15.318	640	79.885
<i>Farming and raising livestock</i>	95.758	14.982	627	72.199
<i>Forestry</i>	902	208	9	718
<i>Fishing</i>	6.982	128	4	6.968
Manufacturing	687.349	213.626	45.869	565.666
<i>Mining</i>	11.286	48.970	4.288	9.119
<i>Production</i>	675.152	163.468	41.570	555.691
<i>Electric, gas and water</i>	911	1.188	11	856
Construction	114.672	61.018	1.317	89.079
Services	669.673	304.923	10.220	536.389
<i>Wholesale and retail trade</i>	441.956	201.343	7.180	347.058
<i>Hotel, food and beverage services</i>	76.265	40.461	787	72.179
<i>Transportation and telecommunication</i>	53.495	32.550	860	42.520
<i>Financial institutions</i>	10.207	1.372	40	9.804
<i>Real estate and renting services</i>	28.188	15.558	847	23.850
<i>Self-employment services</i>	5.470	5.030	158	4.241
<i>Education services</i>	1.853	1.962	61	1.611
<i>Health and social services</i>	52.239	6.647	287	35.126
Other	398.737	251.448	7.758	358.011
Total	1.974.073	846.333	65.804	1.629.030

(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

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Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.629.030	440.833	242.335	-	1.827.528
2. General Provisions	976.215	325.238	159.040	-	1.142.413

Prior Period	The opening balance	Provision amounts set aside during the period	The cancellation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.411.113	385.824	167.907	-	1.629.030
2. General Provisions	659.914	316.301	-	-	976.215

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (Cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	20.021.395	12.517.078
Due from banks	1.908.775	2.588.437
Money Market Receivables	230.684	162.534
Financial Assets at Fair Value through profit or loss	183.035	148.312
Financial Assets Available for Sale	9.811.340	9.639.638
Held to maturity Investments	18.973.598	13.643.091
Loans	84.968.927	65.919.241
Finance Lease Receivables (Net)	1.693.756	1.074.217
Factoring Receivables	325.332	463
Total	138.116.842	105.693.011
Contingent Liabilities	27.120.429	19.758.865
Commitments	19.528.802	14.431.600
Total	46.649.231	34.190.465
Total Credit Risk Exposure	184.766.073	139.883.476

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

Corporate and Commercial Loans	Internal/External Valuation Grade	Total	Entrepreneur Firms	Internal/External Valuation Grade	Total
Risk rating group 1	AAA	55.738	High		
Risk rating group 2	AA	7.984.545	Risk rating group 1	1	1.578.372
Risk rating group 3	A	8.828.901	Risk rating group 2	2	2.291.934
Risk rating group 4	BBB	12.008.132	Standard		
Risk rating group 5	BB	10.125.960	Risk rating group 3	3	2.032.902
Risk rating group 6	B	10.886.209	Risk rating group 4	4	2.676.968
Risk rating group 7	CCC	3.591.637	Risk rating group 5	5	5.149.511
Risk rating group 8	CC	655.696	Below the standard		
Risk rating group 9	C	15.322	Risk rating group 6	6	4.700.657
			Risk rating group 7	7	4.876.799
Total		54.152.140	Total		23.307.143

⁽¹⁾ Loans for which the risk does not belong to the Bank amounting TRY 1.414.108 are not included the table above.

⁽²⁾ Prepared in accordance with the internal grading results of the Parent Bank.

⁽³⁾ Only graded firms are included.

⁽⁴⁾ Includes the total of cash and non cash loans.

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Risk Grade (1-4)	Risk Group	Definition of risk group	Risk Grade (%)
1,00-1,40	AAA	The firm is an extremely positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	100-86
1,41-1,80	AA	The firm is a positive firm with its financial and non financial criteria and it can pursue its high credibility in the long run.	85-73
1,81-2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72-67
2,01-2,20	BBB	The firm is a credible firm despite the fact that it cannot perform the optimization certain aspects of its financial and non financial criteria.	66-60
2,21-2,40	BB	The firm cannot retain optimization in the major parts of its financials and non financial criteria. It has speculative attributes but it's a credible firm in the short run.	59-53
2,41-2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52-47
2,61-2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46-40
2,81-3,20	CC	The firm force acceptable risk limits when it's financial and non financial criteria considered together, and have poor credibility.	39-27
3,21-3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26-13
3,61-4,00	D	The firm has no credibility under any condition.	12-0

Entrepreneur Loans Decision Module ("GKKM") is the rating module which is used for assessment of loan applications of companies which are classified by the Parent Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

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

	Current Period	Prior Period
Loans^{(1), (2)}		
Corporate Loans	59,642	37,964
SME Loans	15,116	26,712
Consumer Loans	12,545	16,098
Other	64	152
Total	87,367	80,926

⁽¹⁾Accruals are not included to the table above.

⁽²⁾Presents loans accounted under in restructured or rescheduled loan accounts.

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The net value and type of collaterals of the loans amounting TRY 2.304.659 followed under loans and other receivables under close monitoring section is below: (31 December 2012: TRY 1.924.813).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	1.817.757	1.519.823
Salary pledge, vehicle pledge and pledge of commercial undertaking	72.262	75.401
Financial collaterals (cash, securities pledge, etc.)	14.588	14.047
Cheque /bills	26.817	11.204
Suretyship	237.474	188.735
Other	135.761	115.603
Total	2.304.659	1.924.813

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

⁽²⁾ Income accruals amounting to TRY 27906 (31 December 2012: TRY 22.521) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 2.264.208 followed under non performing loans section is below: (31 December 2012: TRY 1.974.073)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	1.887	1.845
Mortgage	522.565	511.841
Pledge	48.963	37.805
Cheque,bills	5.044	4.899
Suretyship	1156.880	1.000.072
Other ⁽²⁾	528.869	417.611
Total	2.264.208	1.974.073

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

In accordance with the Group's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 28337 of 28 June 2012 by.

The Parent Bank's Board of Directors set the risk limits by taking into account the Group's main risk factors and these limits are periodically revised in accordance with the market conditions and the Group's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Group. The VAR based limits that are determined by the Board of Directors and the dominated interest rate risk of the Group's is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Group's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

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The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to consolidated market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	179.534	92.002
(II) Capital requirement to be employed for specific risk	29.441	17.037
(III) Capital requirement to be employed for specific risk in securitization positions-Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	34.091	23.185
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	96	264
(VIII)Capital requirement to be employed for general market risk.	5.194	1.964
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	248.356	134.452
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.104.450	1.680.650

b) The Group's average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	208.836	255.811	173.270	135.091	220.685	89.537
Share Risk	5.880	12.970	718	4.468	6.506	2.966
Currency Risk	28.690	34.091	21.455	22.079	30.026	16.833
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	520	1.313	96	182	264	91
Counterparty Credit Risk	3.176	5.194	2.093	2.190	2.415	1.964
Amount Subject to Total Risk	247.102	309.379	197.632	164.010	259.896	111.391

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Group uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Group calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

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The contracts made according to the attribute of the transaction are evaluated by taking into account ISDA and CSA frame for derivative transactions, GMRA frame for repurchase agreements. The risk is mitigated by receiving cash or other forms of collateral. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty's limits.

The Bank does not take part in transactions and contracts requiring extra collateral in accordance with possible changes of credit rating. Especially, in the process of signing ISDA, CSA and GMRA contracts related to treasury transactions, it is cared about not accepting the conditional statements and invalidation of the contracts due to the reduction of Bank's rating. Because possible falls or rises in rating affects the current replacement cost, margin call agreements are used as a risk mitigator.

Gross positive fair value of contracts, the securities which are held and the net position of derivatives are disclosed below.

	Amount*
Contracts based on Interest rate	5.065
Contracts based on currency	81.265
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	86.330
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	86.330

^(*) Counterparty risk related to the trading accounts is included.

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Group's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12.5. Amount subject to operational risk is TRY 9.358.597 for the current period. (31 December 2012: TRY 7.795.467)

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3.928.378	4.784.490	6.260.887	4.991.252	15	748.688
Amount subject to operational risk (Total*12,5)						9.358.597

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with "Regulation On Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Group is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at 31 December 2012 and the previous five working days in full TRY are as follows:

	24.12.2013	25.12.2013	26.12.2013	27.12.2013	30.12.2013	31.12.2013
USD	2,0600000	2,0600000	2,1050000	2,1350000	2,1050000	2,1200000
CHF	2,2934000	2,3017000	2,3471000	2,4028000	2,3652000	2,3766000
GBP	3,3658000	3,3537000	3,4544000	3,5182000	3,4688000	3,5053000
JPY	0,0197164	0,0197022	0,0200634	0,0203270	0,0200023	0,0201362
EURO	2,8149000	2,8196000	2,8822000	2,9449000	2,9053000	2,9184000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2012 are as follows:

	Monthly average
USD	2,0445455
CHF	2,2849682
GBP	3,3438909
JPY	0,0197195
EURO	2,8021545

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Information related to the consolidated currency risk:

Current Period	EURO	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	7918.701	6.958.578	2.342.994	17.220.273
Banks	1.277.078	340.063	128.985	1.746.126
Financial assets at fair value through profit and loss ⁽³⁾	19.823	22.696	1.284	43.803
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	746.588	1.348.502	49.140	2.144.230
Loans ⁽²⁾	9.391.766	16.095.274	399.570	25.886.610
Subsidiaries, associates and entities under common control ⁽⁵⁾	206.348	-	-	206.348
Held-to-maturity investments	-	1.066.707	76.695	1.143.402
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	37.297	37.297
Intangible assets	-	-	-	-
Other assets ⁽³⁾	848.165	725.909	46.284	1.620.358
Total assets	20.408.469	26.557.729	3.082.249	50.048.447
Liabilities				
Bank deposits	3.503.895	2.080.889	424.303	6.009.087
Foreign currency deposits	16.901.740	10.554.741	2.541.049	29.997.530
Money market balances	-	-	-	-
Funds provided from other financial institutions	6.345.918	7.558.067	37.244	13.941.229
Bonds issued	-	3.218.387	-	3.218.387
Sundry creditors	65.796	55.159	77	121.032
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	105.364	240.737	28.234	374.335
Total liabilities	26.922.713	23.707.980	3.030.907	53.661.600
Net balance sheet position	(6.514.244)	2.849.749	51.342	(3.613.153)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	6.574.262	(2.867.707)	84.464	3.791.019
Financial derivative assets ⁽⁴⁾	7538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities ⁽⁴⁾	963.916	4.396.238	436.598	5.796.752
Non-cash loans ⁽¹⁾	4.025.819	9.854.410	427.717	14.307.946
Prior period				
Total assets	14.274.083	16.588.064	3.993.703	34.855.850
Total liabilities	17.557.382	14.358.699	3.653.328	35.569.409
Net balance sheet position	(3.283.299)	2.229.365	340.375	(713.559)
Net off-balance sheet position				
Financial derivative assets	2.860.331	(2.258.173)	134.601	736.759
Financial derivative assets	3.033.396	1.159.250	420.616	4.613.262
Financial derivative liabilities	173.065	3.417.423	286.015	3.876.503
Non-cash loans ⁽¹⁾	3.354.802	6.378.215	266.590	9.999.607

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 861.262 of foreign currency indexed loans and their accruals. (31 December 2012: TRY 44.365)

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", derivative financial instruments foreign currency income accruals (TRY 107.836), foreign currency intangible assets (TRY 16.472), prepaid expenses (TRY 96) in assets; and derivative financial instruments foreign currency expense accruals (TRY 21.094) and shareholders' equity (TRY 21.899) and foreign currency minority shares (TRY 1.990) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 5.873 and forward precious metal purchase transactions amounting to TRY 149.450.

⁽⁵⁾ Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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Foreign currency sensitivity:

The Group is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Group's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents the Parent Bank's management of assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	% 10 increase	(1.796)	(2.881)
EURO	% 10 increase	6.002	(42.297)
Other	% 10 increase	13.581	47.498

The Group's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Group. The Group's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Parent Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Parent Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates:

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	44,863	-	-	-	-	19,976,532	20,021,395
Banks and financial institutions	1,609,825	41,900	3,597	-	-	253,453	1,908,775
Financial assets at fair value through profit and loss	71,262	34,757	33,361	38,591	5,064	2,285	185,320
Money market placements	5,894	224,790	-	-	-	-	230,684
Financial assets available-for-sale	3,144,728	577,210	919,915	2,231,002	2,938,485	16,609	9,827,949
Loans	27,002,168	14,937,717	17,089,045	20,117,591	3,397,759	1,987,967	84,532,247
Held-to-maturity investments	9,372,162	1,603,846	1,347,360	2,776,533	3,873,697	-	18,973,598
Other assets ^{(1) (2)}	146,848	275,099	522,559	997,360	158,806	3,755,642	5,856,314
Total assets	41,397,750	17,695,319	19,915,837	26,161,077	10,373,811	25,992,488	141,536,282
Liabilities							
Bank deposits	5,825,580	306,452	300,159	-	-	3,585,113	10,017,304
Other deposits	46,932,167	19,249,198	8,913,188	176,096	160	15,107,066	90,377,875
Money market balances	771,416	490,060	-	-	-	-	1,261,476
Sundry creditors	581,718	36,279	894,565	9,029	-	171,574	1,693,165
Bonds issued	38,663	30,694	1,001,133	1,763,434	1,317,742	-	4,151,666
Funds provided from other financial institutions ⁽⁴⁾	2,712,827	3,910,918	6,039,498	1,817,549	600,301	5,259	15,086,352
Other liabilities ⁽³⁾	1,235,127	99,493	486,191	9,640	-	17,117,993	18,948,444
Total liabilities	58,097,498	24,123,094	17,634,734	3,775,748	1,918,203	35,987,005	141,536,282
Balance sheet long position	-	-	2,281,103	22,385,329	8,455,608	-	33,122,040
Balance sheet short position	(16,699,748)	(6,427,775)	-	-	-	(9,994,517)	(33,122,040)
Off-balance sheet long position	12,410	10,146	6,893	-	-	-	29,449
Off-balance sheet short position	(12,020)	(10,535)	(6,896)	-	-	-	(29,451)
Total position	(16,699,358)	(6,428,164)	2,281,100	22,385,329	8,455,608	(9,994,517)	(2)

⁽¹⁾ TRY 16,771 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 2,456 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 436,680 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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Prior period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	33.026	-	-	-	-	12.484.052	12.517.078
Banks and financial institutions	971.370	2.003	-	-	-	1615.064	2.588.437
Financial assets at fair value through profit and loss	34.018	331.39	678.74	13.281	-	1435	149.747
Money market placements	162.534	-	-	-	-	-	162.534
Financial assets available-for-sale	2.208.349	1.588.181	2.829.910	1.869.932	1.143.266	16.027	9.655.665
Loans	27.348.206	11.026.850	10.893.353	12.810.027	2.477.136	10.186.626	65.574.198
Held-to-maturity investments	3.860.547	3.576.657	2.516.285	2.941.584	748.018	-	13.643.091
Other assets ⁽¹⁾⁽²⁾	116.902	59.363	260.312	634.961	201.925	3.490.519	4.763.982
Total assets	34.734.952	16.286.193	16.567.734	18.269.785	4.570.345	18.625.723	109.054.732
Liabilities							
Bank deposits	2.990.561	273.257	356.116	-	-	3.800.718	7.420.652
Other deposits	38.121.142	17.250.278	4.610.986	100.902	170	12.295.393	72.378.871
Money market balances	162.193	553.083	-	-	-	-	715.276
Sundry creditors	318.213	16.968	780.792	40.22	-	153.681	1.273.676
Bonds issued	710.741	-	314.23	1.376.815	-	-	2.118.979
Funds provided from other financial institutions ⁽⁴⁾	1.922.042	2.719.001	2.228.287	797.451	345.910	18.379	8.031.070
Other liabilities ⁽³⁾	1.570.354	740.462	349.713	-	-	14.455.679	17.116.208
Total liabilities	45.795.246	21.553.049	8.357.317	2.279.190	346.080	30.723.850	109.054.732
Balance sheet long position	-	-	8.210.417	15.990.595	4.224.265	-	28.425.277
Balance sheet short position	(11.060.294)	(5.266.856)	-	-	-	(12.098.127)	(28.425.277)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.060.294)	(5.178.606)	8.151.317	15.990.595	4.224.265	(12.098.127)	29.150

⁽¹⁾ TRY 236.222 of deferred tax assets is disclosed under the non-interest bearing column in other assets and TRY 10.837 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 345.043 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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2. Average interest rates applied to financial instruments:

Current period	EURO	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans ⁽²⁾	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits ⁽⁴⁾	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans ⁽²⁾	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
Liabilities				
Bank deposits	0,02	1,18	-	3,15
Other deposits	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions ⁽⁴⁾	1,46	1,97	-	7,67

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates are calculated using weighted average method for loans given as of balance sheet date. Calculated rates may vary from Bank's announced interest rates.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2013.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2013.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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3. The interest rate risk of the banking book items:

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and repricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

The impact on financial statements regarding interest rate instabilities stated below as divided by the Parent Bank's different currencies.

Current Period

Currency	Applied Shock (+/-x basis points)	Gains/ Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1 TRY	500	(1,944.449)	(%13,260)
	(400)	2,029.290	%13,839
2 EURO	200	398.381	%2,717
	(200)	(429.990)	(%2,932)
3 USD	200	57.709	%0,394
	(200)	(11.397)	(%0,078)
Total (For negative shocks)		1.587.903	%10,829
Total (For positive shocks)		(1.488.359)	(%10,150)

Prior Period

Currency	Applied Shock (+/-x basis points)	Gains/ Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1 TRY	500	(1.261.829)	(%9,849)
	(400)	1.282.128	%10,008
2 EURO	200	303.520	%2,369
	(200)	(266.543)	(%2,081)
3 USD	200	4.701	%0,037
	(200)	12.343	%0,096
Total (For negative shocks)		1.027.928	%8,023
Total (For positive shocks)		(953.608)	(%7,443)

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VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
1. Associates	227.051	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	30.604	30.604	-
Quoted in a stock exchange	-	-	-

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Realized gains (losses) in the current period	Revaluated appreciation in the fair value		Unrealized gains and losses	
		Total	Included to supplementary capital	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted in a stock exchange ^{(1) (2)}	-	-	-	-	-
3. Other share certificates	-	16.729	7.528	-	-
Total	-	16.729	7.528	-	-

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Meeting the liquidity needs of the Parent Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Parent Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Parent Bank provides an important potential funding opportunity to the Parent Bank.

The main funding source of the Group is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Parent Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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1. Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4549815	3952981	5433672	5997924	86804	199	-	20021395
Banks	253453	1609825	41900	3597	-	-	-	1908775
Financial assets at fair value through profit and loss	-	68091	26359	38564	44957	5064	2285	185320
Money market placements	-	5894	224790	-	-	-	-	230684
Financial assets available-for-sale	-	499755	339943	901503	3342465	4727674	16609	9827949
Loans ⁽²⁾	1121733	6224592	6801200	26938522	37267229	6178971	-	84532247
Held-to-maturity investments	-	264778	1663324	3409886	5259592	8376018	-	18973598
Other assets ⁽³⁾	900205	116388	276622	519104	1021107	167451	2855437	5856314
Total assets	6.825.206	12.742.304	14.807.810	37.809.100	47.022.154	19.455.377	2.874.331	141.536.282
Liabilities								
Bank deposits	3585113	5825580	306452	300159	-	-	-	10.017304
Other deposits	15107066	46930565	19238264	8837783	258986	5211	-	90.377875
Funds provided from other financial institutions ⁽⁴⁾	3796	561385	997034	7760940	3684610	2078587	-	15.086352
Money market balances	-	771416	490060	-	-	-	-	1.261476
Bonds issued	-	38663	30694	1001133	1763434	1317742	-	4151666
Sundry creditors	125109	606323	93491	261797	552900	117	53428	1693165
Other liabilities ⁽⁵⁾	3282174	226027	198929	796055	219345	175332	14050582	18948444
Total liabilities	22.103.258	54.959.959	21.354.924	18.957.867	6.479.275	3.576.989	14.104.010	141.536.282
Liquidity gap	(15.278.052)	(42.217.655)	(6.547.114)	18.851.233	40.542.879	15.878.388	(11.229.679)	-
Previous period								
Total assets	4669168	12452443	11403889	27861180	40353792	9301529	3012731	109054732
Total liabilities	19183278	42810984	19480550	9227823	4450954	1877088	12024055	109054732
Liquidity gap	(14.514.110)	(30.358.541)	(8.076.661)	18.633.357	35.902.838	7424.441	(9.011.324)	-

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ TRY 436.680 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	71592914	19742987	9347160	264648	5211	(557741)	100395179
Funds provided from other financial intuitions	576771	1025031	7896427	3843557	2177675	(433109)	15086352
Money market borrowings	771570	490060	-	-	-	(154)	1261476
Securities issued	38756	30964	1042907	2068988	1682419	(712368)	4151666
Funds	624364	141448	319597	245812	206084	(48763)	1488542
Total	73.604.375	21.430.490	18.606.091	6.423.005	4.071.389	(1.752.135)	122.383.215
Prior Period							
Liabilities							
Deposits	57319699	17704559	5040828	213739	4385	(483687)	79799523
Funds provided from other financial intuitions	271528	509062	3550644	2414272	1832033	(546469)	8031070
Money market borrowings	162214	553647	-	-	-	(585)	715276
Securities issued	719014	-	32266	1669657	-	(301958)	2118979
Funds	618814	98686	280166	228713	239295	(57787)	1407887
Total	59.091.269	18.865.954	8.903.904	4.526.381	2.075.713	(1.390.486)	92.072.735

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Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the "Measurement and Assessment of Liquidity of the Banks" published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2013 and 2012 are presented below:

	Current Period				Prior Period			
	First maturity Tranche (Weekly)		First maturity Tranche (Monthly)		First maturity Tranche (Weekly)		First maturity Tranche (Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	266,58	222,10	171,77	135,40	174,60	196,96	126,02	123,65
Maximum	363,35	291,28	209,41	154,00	230,51	250,27	149,85	141,13
Minimum	185,12	183,18	132,01	121,99	131,56	154,38	106,25	104,22

Analysis of the Group's derivative financial instruments according to their remaining maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	864.130	325.844	493.614	78.487	-	1.762.075
Forward Contracts - Sell	854.856	180.495	491.752	76.157	-	1.603.260
Swaps - Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps - Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	5.873	-	-	-	5.873
Forward Precious Metal - Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest - Buy	-	-	-	-	678.400	678.400
Swaps Interest - Sell	-	-	-	-	678.400	678.400
Total	18.227.970	1.313.005	1.263.013	351.819	1.356.800	22.512.607

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	641.463	503.262	156.391	349	-	1.301.465
Forward Contracts - Sell	637.040	594.598	156.378	374	-	1.388.390
Swaps - Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps - Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap - Buy	-	-	-	88.250	-	88.250
Credit Default Swap - Sell	-	-	-	59.100	-	59.100
Forward Precious Metal-Buy	-	314.800	-	-	-	314.800
Forward Precious Metal-Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
Total	2.689.789	6.366.454	637.307	1.191.748	-	10.885.298

IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Group does not apply any netting process on balance sheet and off balance sheet items.

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

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis by the Parent Bank. The credibility of guarantors is monitored within the framework of credit revision periods.

The value of the mortgages is being revalued during the credit period.

The revaluation of the mortgages whose value are more than TRY 3.000 or 5% of the Parent Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Group's guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Group and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/ Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	40.991.173	694.629	-	-
Claims on regional governments or local authorities	158.890	14.903	-	-
Claims on administrative bodies and other non-commercial undertakings	294.865	14.573	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.724.965	-	-	-
Claims on corporate	40.807.554	630.386	-	270.711
Claims included in the regulatory retail portfolios	26.932.347	1.567.877	-	150.429
Claims secured by residential property	20.520.982	29.206	-	-
Overdue loans	554.376	-	131.082	-
Higher risk categories decided by the Board	10.216.665	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	5.124.726	-	-	-
Total	150.326.543	2.951.574	131.082	421.140

⁹⁾ In the determination of the amounts, the non-cash loans and other off-balance sheet items are taken into account after being multiplied by credit conversion rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES:

Risk management target and policies:

Credit Risk:

The Parent Bank's credit authorization limits are defined with respect to Head Office, Regional Directories and Branch Basis. Credit origination and marketing activities are completely separated. The main point here is about the Loan Department that related to credit expansion performance should not placed in loan granting process. Credit allocation monitoring processes are carried out by Credit Risk Monitoring Department which is an independent unit. The risk measurement activities are being carried out by the Risk Management Department which reports to Audit Committee directly.

In the process of credit assessment process, rating modules are used by the Group and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Group and the Parent Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department of the Parent Bank measures the foreign exchange risk of the Group.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Group is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Group defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of the Group's interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

Liquidity Risk:

The Group's liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of the Group's liquidity shocks are determined by liquidity contingency plan. The Parent Bank's duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

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XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

The Group's operations are grouped under the corporate, commercial, integrated and treasury/ investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Parent Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Parent Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

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Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2013 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment ¹⁾	Other ²⁾	Elimination ²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	1,220,629	947,019	8,852,094	7,017,914	145,950	(8,792,431)	9,391,175
Interest on loans	772,932	785,863	5,169,226	419,974	-	-	7,147,995
Interest income on marketable securities	-	-	-	2,062,286	27,537	-	2,089,823
Interest received from banks	-	-	-	20,213	-	-	20,213
Other interest income ²⁾	447,697	161,156	3,682,868	4,515,441	118,413	(8,792,431)	133,144
Interest expense	688,595	517,992	6,972,619	4,964,185	46,665	(8,792,431)	4,397,625
Interest on deposits	394,611	152,082	3,048,753	205,481	-	-	3,800,927
Interest on borrowings	3,155	15,300	14,430	184,389	42,689	-	259,963
Interest on money market borrowings	-	-	-	103,819	-	-	103,819
Interest on marketable bonds issued	-	-	-	176,935	3,976	-	180,911
Other interest expense ²⁾	290,829	350,610	3,909,436	4,293,561	-	(8,792,431)	52,005
Net interest income	532,034	429,027	1,879,475	2,053,729	99,285	-	4,993,550
Net fees and commissions income	179,745	98,288	582,839	6,166	-	-	852,825
Net trading profit / (loss)	-	-	-	243,668	3123	-	246,791
Dividend income	-	-	-	9,629	2,151	-	11,780
Other income	38,254	41,594	290,240	434,105	570,021	-	1,374,214
Loans and other receivables' impairment loss	13,858	105,954	351,916	380,998	34,890	-	887,616
Other expenses	24,560	63,615	1,190,615	1,420,883	385,489	-	3,085,162
Income before taxes	711,615	399,340	1,210,023	945,416	239,988	-	3,506,382
Income tax provision	-	-	-	(616,302)	(37,355)	-	(653,657)
Net profit for the period	711,615	399,340	1,210,023	329,114	202,633	-	2,852,725
SEGMENT ASSETS							
Marketable securities	-	-	-	28,549,315	297,888	-	28,847,203
Derivative financial assets held for trading	-	-	-	139,664	-	-	139,664
Banks and money market receivables	-	-	-	2,118,646	20,813	-	2,139,459
Associates and subsidiaries (net)	-	-	-	257,655	-	-	257,655
Loans	13,130,413	12,780,356	51,364,586	7,693,572	-	-	84,968,927
Other assets ¹⁾	1,582	11,057	883,741	22,035,152	2,251,842	-	25,183,374
TOTAL ASSETS	13,131,995	12,791,413	52,248,327	60,794,004	2,570,543	-	141,536,282
SEGMENT LIABILITIES							
Deposits	12,756,670	4,518,277	6,717,161	15,949,071	-	-	100,395,179
Derivative financial liabilities held for trading	-	-	-	43,852	9,640	-	53,492
Money market balances	-	-	-	1,261,476	-	-	1,261,476
Borrowing funding loans	20,257	315,600	417,038	12,965,143	1,368,314	-	15,086,352
Bonds issued	-	-	-	4,051,508	100,158	-	4,151,666
Other liabilities	111,541	201,343	2,939,419	1,141,664	144,417	-	4,538,384
Provisions and tax payable	21,488	21,027	120,307	1,950,006	565,890	-	2,678,718
Shareholders' equity	-	-	-	12,666,829	70,4186	-	13,371,015
TOTAL LIABILITIES	12,909,956	5,056,247	70,647,925	50,029,549	2,892,605	-	141,536,282
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	13,710,270	6,326,256	6,746,366	255,285	82,252	-	27,120,429
Commitments	36,854	500,440	6,763,240	12,021,668	206,600	-	19,528,802
Derivative financial instruments	-	-	-	20,904,334	146,420	-	21,050,754

¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1,463,302 (net) and deferred tax assets amounting TRY 16,771 in other assets are presented under the Treasury / Investment column.

²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, and Halk Faktoring AŞ, transactions are shown in other column.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2012 are presented in the table below.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME/EXPENSES							
Interest income	1.262.607	1.005.258	9.552.764	7.510.774	104.408	(10.313.630)	9.122.181
Interest on loans	658.712	768.542	4.921.350	392.577	-	-	6.741.181
Interest income on marketable securities	-	-	-	2.243.983	240.32	-	2.268.015
Interest received from banks	-	-	-	12.278	28	-	12.306
Other interest income ⁽²⁾	603.895	236.716	4.631.414	4.861.936	80.348	(10.313.630)	100.679
Interest expense	921.226	760.028	7.118.050	6.017.422	34.414	(10.313.630)	4.537.510
Interest on deposits	386.590	171.514	3.321.467	184.487	-	-	4.064.058
Interest on borrowings	2.808	130.23	10.784	124.242	32.721	-	183.578
Interest on money market borrowings	-	-	-	137.742	-	-	137.742
Interest on marketable bonds issued	-	-	-	96.597	1.693	-	98.290
Other interest expense ⁽²⁾	531.828	575.491	3.785.799	5.474.354	-	(10.313.630)	53.842
Net interest income	341.381	245.230	2.434.714	1.493.352	69.994	-	4.584.671
Net fees and commissions income	187.774	150.501	453.469	22.775	(3.786)	-	810.733
Net trading profit / (loss)	-	-	-	558.299	(2.408)	-	555.891
Dividend income	-	-	-	758	-	-	758
Other income	1142	24.124	218.983	129.021	371.970	-	745.240
Loans and other receivables' impairment loss	49.836	44.341	290.519	504.420	11.783	-	900.899
Other expenses	22.110	53.912	942.819	1.097.231	280.561	-	2.396.633
Income before taxes	458.351	321.602	1.873.828	602.554	143.426	-	3.399.761
Income tax provision	-	-	-	(736.604)	(20.113)	-	(756.717)
Net profit for the period	458.351	321.602	1.873.828	(134.050)	123.313	-	2.643.044
SEGMENT ASSETS							
Marketable securities	-	-	-	231.273.717	238.374	-	233.656.691
Derivative financial assets held for trading	-	-	-	82.772	40	-	82.812
Banks and money market receivables	-	-	-	2.748.750	2.221	-	2.750.971
Associates and subsidiaries (net)	-	-	-	176.654	-	-	176.654
Loans	10.049.389	9.552.386	40.585.669	5.731.797	-	-	65.919.241
Other assets ⁽¹⁾	597	8.554	713.351	14.753.412	1.283.449	-	16.759.363
TOTAL ASSETS	10.049.986	9.560.940	41.299.020	46.620.702	1.524.084	-	109.054.732
SEGMENT LIABILITIES							
Deposits	11.909.003	4.183.138	55.389.430	8.317.952	-	-	79.799.523
Derivative financial liabilities held for trading	-	-	-	50.282	-	-	50.282
Money market balances	-	-	-	715.276	-	-	715.276
Borrowing funding loans	8.155	219.674	220.342	6.916.777	6.661.122	-	8.031.070
Bonds issued	-	-	-	2.031.305	87.674	-	2.118.979
Other liabilities	33.071	86.758	2.556.752	1.287.197	59.938	-	4.023.716
Provisions and tax payable	16.217	18.851	90.809	2.211.138	478.615	-	2.815.630
Shareholders' equity	-	-	-	11.416.329	83.927	-	11.500.256
TOTAL LIABILITIES	11.966.446	4.508.421	58.257.333	32.946.256	1.376.276	-	109.054.732
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	161.206	-	-	19.758.865
Commitments	33.667	342.791	6.185.456	7.989.141	-	-	14.551.055
Derivative financial instruments	-	-	-	9.576.243	-	-	9.576.243

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY1,517,341 (net) and deferred tax assets amounting TRY 236,222 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

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XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	137.682.447	105.349.403	129.695.734	101.835.285
Cash and Balances with the Central Bank of Turkey	20.021.395	12.517.078	20.021.395	12.517.078
Financial assets fair value changes reflected to income statement	185.320	149.747	185.320	149.747
Banks	1.908.775	2.588.437	1.908.775	2.588.437
Money market placements	230.684	162.534	230.684	162.534
Available for sale financial assets ⁽¹⁾	9.811.340	9.639.638	9.811.340	9.639.638
Held to maturity investments	18.973.598	13.643.091	18.492.161	13.524.153
Loans ⁽²⁾	84.532.247	65.574.198	77.011.232	62.164.197
Finance Lease Receivables (Net)	1.693.756	1.074.217	1.709.495	1.089.038
Factoring Receivables	325.332	463	325.332	463
Financial Liabilities	122.641.330	91.988.806	121.650.358	91.680.629
Deposits	100.395.179	79.799.523	100.526.794	79.911.682
Derivative financial liabilities held for trading	53.492	50.282	53.492	50.282
Funds provided from other financial institutions	15.086.352	8.031.070	14.309.794	7.674.555
Money market borrowings	1.261.476	715.276	1.261.476	715.276
Securities issued	4.151.666	2.118.979	3.903.682	2.118.979
Miscellaneous payables	1.693.165	1.273.676	1.595.120	1.209.855

⁽¹⁾ As of 31 December 2013 TRY 16.609 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2012: TRY 16.027).

⁽²⁾ Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – *Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose	41.984	139.664	-	181.648
<i>Debt securities</i>	34.862	-	-	34.862
<i>Derivative financial assets held for trading purpose</i>	-	139.664	-	139.664
<i>Bonds</i>	2.285	-	-	2.285
<i>Other Securities</i> ⁽²⁾	4.837	-	-	4.837
Available-for-sale financial assets ⁽¹⁾	9.811.340	-	-	9.811.340
<i>Debt securities</i>	9.801.333	-	-	9.801.333
<i>Other Securities</i>	10.007	-	-	10.007
Total Financial Assets	9.853.324	139.664	-	9.992.988

Financial liabilities at fair value through profit/loss:

Derivative financial liabilities held for trading purpose	-	53.492	-	53.492
Total Financial Liabilities	-	53.492	-	53.492

⁽¹⁾ As of 31 December 2013, share certificates amounting to TRY 16.609 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose	64.332	82.812	-	147.144
<i>Debt securities</i>	51.600	-	-	51.600
<i>Derivative financial assets held for trading purpose</i>	-	82.812	-	82.812
<i>Bonds</i>	1.435	-	-	1.435
<i>Other Securities</i> ⁽²⁾	11.297	-	-	11.297
Available-for-sale financial assets ⁽¹⁾	9.639.638	-	-	9.639.638
<i>Debt securities</i>	9.633.564	-	-	9.633.564
<i>Other Securities</i>	6.074	-	-	6.074
Total Financial Assets	9.703.970	82.812	-	9.786.782

Financial liabilities at fair value through profit/loss:

Derivative financial liabilities held for trading purpose	-	50.282	-	50.282
Total Financial Liabilities	-	50.282	-	50.282

⁽¹⁾ 31 December 2012 share certificates amounting to TRY 16.027 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

XIV. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

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

The Group does not engage in transaction based on trust.

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FOR THE YEAR ENDED 31 DECEMBER 2013

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	627.718	188.357	523.334	169.982
Central Bank of Turkey	2.173.404	17.006.682	1.083.507	10.718.803
Other	-	25.234	-	21.452
Total	2.801.122	17.220.273	1.606.841	10.910.237

⁽¹⁾ As of 31 December 2013, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 24.942 (31 December 2012: TRY 21.438).

b) Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.164.297	1.570.064	1.076.051	876.801
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	9.107	15.436.618	7.456	9.842.002
Total	2.173.404	17.006.682	1.083.507	10.718.803

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2012: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2012: between 6% and 11,5 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 "Reserve Deposits" of the Central Bank of Turkey.

With the Board of Minutes No.827 dated 16 July 2012 of TRNC Central Bank's, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

With the Board of Minutes No.129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 10% for MKD currency liabilities and 13% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

The Group has TRY 1.007 of financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2012: TRY 685).

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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c) Positive differences related to the derivative financial assets held-for-trading:

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	26.470	-	6.111
Swap transactions	-	112.900	-	76.658
Futures transactions	-	-	-	-
Options	3	291	5	38
Other	-	-	-	-
Total	3	139.661	5	82.807

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	62.158	581.974	170.513	474.417
Foreign banks	100.491	1.164.152	37.555	1.905.952
Branches and offices abroad	-	-	-	-
Total	162.649	1.746.126	208.068	2.380.369

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.021.610	326.443	-	-
USA and Canada	32.886	85.601	-	-
OECD Countries ⁽¹⁾	63.392	1.485.610	-	-
Offshore Banking Regions	-	-	-	-
Other	146.755	45.853	-	-
Total	1.264.643	1.943.507	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	172.200	857.722	191.490	96.796
Total	172.200	857.722	191.490	96.796

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a.2. Information on financial assets available-for-sale subject to repurchase agreements:

The Group has TRY 4.638 of financial assets available-for-sale subject to repurchase agreements in the current period. (31 December 2012: None)

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	9.994.476	9.642.209
<i>Quoted on a stock exchange</i>	9.994.476	9.642.209
<i>Not quoted</i>	-	-
Share certificates	35.505	34.929
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	35.505	34.929
Impairment provision(-)	202.032	21.473
Total	9.827.949	9.655.665

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	167.537	-	129.890	-
Total	167.537	-	129.890	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	66.268.279	809.085	-	2.117.184	1.461.752	-
<i>Corporation loans</i>	38.286.201	683.483	-	1.852.752	1.449.266	-
<i>Export loans</i>	2.378.794	71.141	-	27.719	10.068	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	1.318.733	427	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	20.896.327	51.445	-	171.740	2.414	-
<i>Credit cards⁽²⁾</i>	2.604.443	-	-	53.491	-	-
<i>Other</i>	783.781	2.589	-	11.482	4	-
Specialized lending	14.937.976	57.430	-	187.475	22.494	-
Other receivables	-	-	-	-	-	-
Accruals	993.427	10.595	-	27.906	18.148	-
Total	82.199.682	877.110	-	2.332.565	1.502.394	-

⁽¹⁾ Includes TRY 119.876 of personnel loans.

⁽²⁾ Includes TRY 47.661 of personnel credit cards.

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Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	770.564	1.416.246
Extended by 3,4 or 5 times	85.234	67.615
Extended by more than 5 times	10.717	385

^(*)Accruals amounting to TRY 10.595 are not included in the table above.

^(**)Accruals amounting to TRY 18.148 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
0-6 Months	395.629	64.337
6 Months-12 Months	224.085	42.134
1-2 Years	61.218	54.604
2-5 Years	171.229	348.722
5 Years and over	14.354	974.449

^(*)Accruals amounting to TRY 10.595 are not included in the table above.

^(**)Accruals amounting to TRY 18.148 are not included in the table above.

c) Loans according to their maturity structure:

Current Period	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short term loans and other receivables	18.435.877	482.333	207.345	41.084
<i>Non-specialized loans</i>	18.074.669	459.373	204.677	40.588
<i>Specialized lending</i>	139.670	17.134	193	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	221.538	5.826	2.475	496
Medium and long term loans and other receivables	62.886.695	394.777	622.826	1.461.310
<i>Non-specialized loans</i>	47.384.525	349.712	450.755	1.421.164
<i>Specialized lending</i>	14.740.876	40.296	164.788	22.494
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	761.294	4.769	7.283	17.652
Prior Period				
Short term loans and other receivables	16.933.306	324.803	199.037	37.562
<i>Non-specialized loans</i>	16.622.471	310.067	195.502	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	196.196	3.766	2.301	435
Medium and long term loans and other receivables	46.084.297	284.458	667.276	1.043.459
<i>Non-specialized loans</i>	33.715.344	225.797	510.831	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	536.701	3.298	7.687	12.098

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	298.844	20.062.080	20.360.924
<i>Real estate loans</i>	2.511	9.095.716	9.098.227
<i>Automobile loans</i>	4.650	150.911	155.561
<i>Consumer loans</i>	291.518	10.766.419	11.057.937
<i>Other</i>	165	49.034	49.199
Consumer loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans-FC	2.806	225.706	228.512
<i>Real estate loans</i>	78	16.646	16.724
<i>Automobile loans</i>	235	873	1.108
<i>Consumer loans</i>	2.315	197.803	200.118
<i>Other</i>	178	10.384	10.562
Individual credit cards-TRY	2.182.938	1.067	2.184.005
<i>Installment</i>	1.074.488	-	1.074.488
<i>Non-installment</i>	1.108.450	1.067	1.109.517
Individual credit cards-FC	44	24.037	24.081
<i>Installment</i>	-	24.037	24.037
<i>Non-installment</i>	44	-	44
Personnel loans-TRY	4.950	111.230	116.180
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.950	111.230	116.180
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	117	3.579	3.696
<i>Real estate loans</i>	6	2.184	2.190
<i>Automobile loans</i>	-	21	21
<i>Consumer loans</i>	108	1.326	1.434
<i>Other</i>	3	48	51
Personnel credit cards-TRY	47.124	537	47.661
<i>Installment</i>	22.460	525	22.985
<i>Non-installment</i>	24.664	12	24.676
Personnel credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	344.743	-	344.743
Overdraft accounts-FC (Retail customer)	14.012	-	14.012
Total	2.895.578	20.428.236	23.323.814

⁽¹⁾ Interest income accruals are not included in the table above.

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	7.238	768.133	775.371
<i>Business residential loans</i>	1.293	432.409	433.702
<i>Automobile loans</i>	5.945	240.163	246.108
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	95.561	95.561
Commercial installment loans-Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans-FC	119.327	276.476	395.803
<i>Business residential loans</i>	-	46.970	46.970
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	119.327	229.506	348.833
Corporate credit cards-TRY	401.869	-	401.869
<i>Installment</i>	264.735	-	264.735
<i>Non-installment</i>	137.134	-	137.134
Corporate credit cards-FC	17	301	318
<i>Installment</i>	-	301	301
<i>Non-installment</i>	17	-	17
Overdraft accounts-TRY (Commercial customer)	336.197	-	336.197
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	864.648	1.044.910	1.909.558

¹⁾ Interest and income accruals are not included in table above.

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.116.135	1.710.467
Private	82.416.112	63.863.731
Total	84.532.247	65.574.198

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	83.573.141	64.897.570
Foreign loans	959.106	676.628
Total	84.532.247	65.574.198

h) Loans granted to subsidiaries and associates:

None.

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i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	245.747	212.374
Loans and receivables with doubtful collectability	131.601	88.113
Uncollectible loans and receivables	1.450.180	1.328.543
Total	1.827.528	1.629.030

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:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	145.197	8.194	84.801
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	145.197	8.194	84.801
Prior period	49.445	5.259	83.234
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	49.445	5.259	83.234

j.2. Information on the movement of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	352.638	146.277	1.475.158
Additions (+)	751.572	24.524	67.440
Transfers from other categories of loans under follow-up (+)	-	450.498	362.623
Transfers to other categories of loans under follow-up (-)	526.139	286.982	-
Collections (-)	198.775	117.002	237.624
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	379.296	217.315	1.667.597
Specific provision (-)	245.747	131.601	1.450.180
Net balance on balance sheet	133.549	85.714	217.417

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period	1.724	1.804	15.504
Specific provisions(-)	607	1.090	15.504
Net balance in the balance sheet	1.117	714	-
Prior period			
Balance at the end of the period	3.342	1.329	9.756
Specific provisions(-)	2.322	913	9.157
Net balance in the balance sheet	1.020	416	599

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	379.154	215.149	1.617.110
Specific provisions (-)	245.605	129.435	1.399.693
Loans to granted real persons and legal entities (Net)	133.549	85.714	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	352.531	145.987	1.436.337
Specific provisions (-)	212.267	87.823	1.289.722
Loans to granted real persons and legal entities (Net)	140.264	58.164	146.615
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Parent Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

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The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	45.318	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	36.454	5.913	4.201	57.342
Credit cards	122.995	20.934	10.949	152.361
Total	297.202	57.769	31.211	386.182

⁹⁾ Only the overdue loans those subject to outstanding principal payment amounting to TRY 1.348.348 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	29.954	5.919	3.913	39.786
Credit cards	100.296	15.219	6.770	122.285
Total	219.781	59.112	45.925	324.818

⁹⁾ Only the overdue loans those subject to outstanding principal payment amounting to TRY 521.515 are included.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	3.089.127	121.049	2.172.312	472.358
Total	3.089.127	121.049	2.172.312	472.358

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	764.916	-	62.980	333.509
Total	764.916	-	62.980	333.509

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b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	18,966.304	13,636.006
Treasury bills	-	-
Other public sector debt securities	-	-
Total	18.966.304	13.636.006

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	18,973.598	13,643.091
<i>Quoted on a stock exchange</i>	<i>17,745.799</i>	<i>11,810.664</i>
<i>Not quoted</i>	<i>1,227.799</i>	<i>1,832.427</i>
Impairment provision (-)	-	-
Total	18.973.598	13.643.091

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	13,643.091	14,064.458
Foreign currency differences on monetary assets	(30)	(83.455)
Purchases during the year ⁽¹⁾	10,414.943	2,283.237
Disposals through sales and redemptions ⁽²⁾	(5,084.406)	(2,621.149)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the of the period	18.973.598	13.643.091

⁽¹⁾ Interest income accrual difference between 31 December 2013 amounting to TRY 1133.097 and 31 December 2012 amounting to TRY 818.367 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Parent Bank reclassified EUR 264.347 (TRY 606.491) and USD 342.113 (TRY 612.382) of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4,039,794 thousands and USD 502,575 (TRY 982,535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

e) Information on held-to-maturity investments accounts:

The breakdown of the held to maturity securities of the Group is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽¹⁾	10.338.419	-	11.327.941	-	7.566.448	-	8.226.156	-
Obtained with the transfer	1.200.000	-	1.227.798	-	1.800.000	-	1.832.427	-
Reclassified from other securities portfolios ⁽³⁾	5.167.817	937.622	5.274.255	945.657	2.049.330	254.067	2.115.933	270.795
Other	202	196.452	202	197.745	6.988	1.147.891	7.085	1.190.695
Total	16.706.438	1.134.074	17.830.196	1.143.402	11.422.766	1.401.958	12.181.601	1.461.490

⁽¹⁾ The Bank has reclassified TRY 5,022,329 from available for sale financial assets portfolio to held to maturity investments portfolio on 23 October 2013.

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(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

The non-financial investments in associates are accounted under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ	Istanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ	Istanbul	18,95	18,95

Information related to the associates as sorted above:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 100.413	83.442	52.332	2.546	-	32.665	33.184	-
2. 35.583	22.332	19.770	511	-	2.644	1.144	-

⁽¹⁾ No investment is listed on the stock exchange.

⁽²⁾ The financial data of Kredi Kayıt Bürosu AŞ and Bankalar Arası Kart Merkezi AŞ is obtained from 31 December 2013 audited financial statements.

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV Kobi Girişim Sermayesi Yatırım	Holland	30,00	30,00
2. Ortaklığı AŞ	Ankara	31,47	32,26

Information related to the associates as sorted above:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 5.063.596	671.918	35.651	123.295	36.340	39.515	39.992	-
2. 47.072	46.801	22.852	1.922	-	152	1.070	-

⁽¹⁾ No investment is listed on the stock exchange.

⁽²⁾ The financial data of Demirhalkbank NV is obtained from 31 December 2013 unaudited financial statements, and the financial data of Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 31 December 2013 audited financial statements.

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.654	155.488
Movements during the period	50.397	21.166
Purchases	-	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	11.915	11.978
Sales	-	(717)
Transfers ⁽¹⁾	(335)	(3.006)
Revaluation decrease (-) / increase	38.817	12.405
Provision for impairment (-) / reversals (+)	-	506
Balance at the end of the period	227.051	176.654
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	206.348	155.676
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.383	14.324

f) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ
CORE CAPITAL								
Paid in Capital	55000	70000	113000	673639	259162	5000	109685	40000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	30954	-	-	11633	-
Reserves	6.257	20.086	14.716	25.091	7.548	189	34.327	-
Profit / Loss	9.132	43.134	83.083	39.702	26.314	1.385	6.114	759
Net Profit	8.713	43.134	77.404	31.511	16.503	1.349	5.626	1020
Prior Period Profit/Loss	419	-	5.679	8.191	9.811	36	488	(261)
Leasehold Improvements (-)	-	-	734	450	110	-	-	106
Intangible Assets (-)	305	2.567	1.421	223	707	5	1.291	192
Total Core Capital	70.084	130.653	208.644	768.713	292.207	6.569	160.468	40.461
SUPPLEMENTARY CAPITAL	1.667	14.239	(11.832)	(213)	-	-	7.696	-
CAPITAL	71.751	144.892	196.812	768.500	292.207	6.569	168.164	40.461
NET AVAILABLE CAPITAL	71.751	144.892	196.812	768.500	292.207	6.569	168.164	40.461

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 31 December 2013.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital (domestic) has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Unconsolidated subsidiaries, reasons for not consolidating and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)
1. Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1. 32.006	15.841	4.050	434	277	2.562	938	30.604

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 December 2013 unaudited financial statements.

⁽²⁾ As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

⁽³⁾ The information is presented from valuation report as 31 December 2013.

d) Information on consolidated subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,50
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,67
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	77,99	78,10
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	56,00	99,68
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	99,91

e) Information related to the subsidiaries as sorted above ⁽¹⁾:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1. 589.639	71.751	1.987	30.991	1.806	8.713	9.931	92.151
2. 496.600	144.892	5.286	20.021	3.883	43.134	14.828	323.818
3. 513.055	196.812	3.991	42.460	28.210	77.404	46.234	697.589
4. 890.132	768.500	580.723	11.549	3.659	31.511	12.066	590.794 ⁽³⁾
5. 2.030.845	292.207	1.038	106.065	-	16.503	21.897	406.645
6. 7091	6.569	197	447	5	1.349	476	5.271
7. 921.600	168.164	32.157	44.483	4.890	5.626	1.119	-
8. 327.620	40.461	516	14.141	1	1.020	(261)	42.032

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 December 2013.

⁽²⁾ The information is presented from valuation reports as 31 December 2013.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul A.Ş.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	1.794.160	831.371
Movements during the period	540.103	962.789
Purchases ⁽¹⁾	167.590	88.882
Bonus shares obtained profit from current year's share	85.867	64.186
Dividends from current year income	-	-
Sales	-	-
Transfer	335	-
Revaluation increase	286.311	809.721
Reversal of provision for impairment (-)	-	-
Share capital elimination of subsidiaries	(2.303.659)	(1.794.160)
Balance at the end of the period	30.604	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Purchases amounting to TRY 13.540 of TRY 167.590 consist payments to Ziraat Group due to purchase of 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%). The payment of TRY 19.000 was made for the increase in capital of the Halk Faktoring A.Ş. and the payment of TRY 135.050 was made for the increase in capital of the Halk Finansal Kiralama A.Ş.

g) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.021.407	730.461
Factoring companies	42.032	21.109
Leasing companies	406.645	200.980
Financing companies	-	-
Other financial subsidiaries	688.216	696.251

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	914.612	245.245
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾The Parent Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 15 February 2013 and the shares are traded on the Borsa İstanbul AŞ dated 22 February 2013

(9) Information on jointly controlled entities (joint ventures):

None.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(10) Information on finance lease receivables (Net):

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	551.818	434.994	330.266	259.213
Between 1-4 years	1.017.878	883.033	677.244	589.091
More than 4 years	396.245	375.729	240.259	225.913
Total	1.965.941	1.693.756	1.247.769	1.074.217

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.965.941	1.247.769
Unearned revenues from financial lease	(272.185)	(173.552)
Total	1.693.756	1.074.217

c) Information on receivables from non-performing loans of financial lease:

	Current period	Prior period
Financial lease receivables with limited collectability	39.764	7.876
Financial lease receivables with doubtful collectability	32.588	19.524
Uncollectible financial lease receivables	94.799	63.307
Specific provisions	(49.455)	(34.708)
Total	117.696	55.999

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Immovable	1.021.913	27.458	(16.498)	(6.558)	1.026.315
Tangible assets purchased through financial lease	36.824	274	(4.845)	-	32.253
Office machines	254.618	81.393	(11.142)	-	324.869
Fixed assets obtained due to non-performing loans	455.684	162.167	(237.125)	94	380.820
Lease hold improvements costs	150.428	27.311	(30.908)	-	146.831
Other	268.228	23.774	(8.165)	(503)	283.334
Total Cost	2.187.695	322.377	(308.683)	(6.967)	2.194.422
Accumulated depreciation(-)					
Immovable	229.868	14.016	(596)	(1.542)	241.746
Tangible assets purchased through financial lease	34.211	679	(4.843)	-	30.047
Office machines	125.859	43.956	(10.072)	-	159.743
Fixed assets obtained due to non-performing loans	8.862	3.873	(4.050)	-	8.685
Lease hold improvements costs	69.915	30.315	(24.432)	-	75.798
Other	187.122	21.720	(4.041)	-	204.801
Total accumulated depreciation	655.837	114.559	(48.034)	(1.542)	720.820
Provision for impairment (-)					
Immovable	6.520	-	(904)	-	5.616
Fixed assets obtained due to non-performing loans	7.997	2.389	(5.702)	-	4.684
Total provision for impairment (-)	14.517	2.389	(6.606)	-	10.300
Net Book Value	1.517.341	205.429	(254.043)	(5.425)	1.463.302

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations ^(*)	Disposals	Transfers	Balance at the end of the period
Cost:						
Immovable	936.476	190.908	5.533	(67.972)	(43.032)	1.021.913
Tangible assets purchased through financial lease	41.455	220	-	(4.851)	-	36.824
Office machines	198.778	78.597	900	(23.657)	-	254.618
Fixed assets obtained due to non-performing loans	356.167	166.263	-	(131.840)	65.094	455.684
Lease hold improvements costs	123.077	36.175	-	(8.824)	-	150.428
Other	248.429	21.947	1.117	(3.265)	-	268.228
Total Cost	1.904.382	494.110	7.550	(240.409)	22.062	2.187.695
Accumulated depreciation(-)						
Immovable	216.371	18.900	635	(1.596)	(4.441)	229.869
Tangible assets purchased through financial lease	37.680	748	-	(4.217)	-	34.211
Office machines	94.543	41.877	738	(11.298)	-	125.860
Fixed assets obtained due to non-performing loans	6.345	5.113	-	(2.738)	142	8.862
Lease hold improvements costs	50.451	26.315	-	(6.852)	-	69.914
Other	171.932	16.481	1.038	(2.330)	-	187.121
Total accumulated depreciation	577.322	109.434	2.411	(29.031)	(4.299)	655.837
Provision for impairment (-)						
Immovable	7.183	-	-	(597)	(66)	6.520
Fixed assets obtained due to non-performing loans	5.016	4.105	-	(1.124)	-	7.997
Total provision for impairment (-)	12.199	4.105	-	(1.721)	(66)	14.517
Net Book Value	1.314.861	380.571	5.139	(209.657)	26.427	1.517.341

^(*) The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	67.522	21.069	2.484	-	86.107
Total Cost	67.522	21.069	2.484	-	86.107
Accumulated Depreciation(-)					
Other intangible assets	11.515	7.567	14	-	19.068
Total Accumulated Depreciation(-)	11.515	7.567	14	-	19.068
Net Book Value	56.007	13.502	2.470	-	67.039

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period	Dönem Sonu Bakiyesi
Cost:						
Other intangible assets	52.255	17.203	519	(2.455)	-	67.522
Total Cost	52.255	17.203	519	(2.455)	-	67.522
Accumulated Depreciation(-)						
Other intangible assets	6.712	4.867	259	(323)	-	11.515
Total Accumulated Depreciation(-)	6.712	4.867	259	(323)	-	11.515
Net Book Value	45.543	12.336	260	(2.132)	-	56.007

⁽¹⁾ The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

(14) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	28.156	-
Acquisitions	8.188	2.004
Transfer	-	26.152
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	36.344	28.156
Accumulated Depreciation		
Opening Balance		
Amortization Charge (-)	-	-
Disposals	-	-
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
Net Book Value	36.344	28.156

(15) Information on tax assets:

a) Current tax assets:

None. (31 December 2012: TRY 255)

b) Deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	127.384	102.686
Revaluation of Financial Assets	(124.952)	126.388
Other	3.502	4.692
Deferred Tax (Asset) /Liability:	5.934	233.766
Deferred tax accounted in shareholders' equity		
Fair value differences for available for sale financial assets	25.436	(102.753)
Actuarial gains / losses	(3.681)	-

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

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(16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	8.164	6.821
Accumulated Depreciation (-) ⁽¹⁾	(1.193)	(812)
Net Book Value	6.971	6.009
Opening Balance	6.009	85.623
Acquisitions (Transfers) (Net)	6.967	(47.727)
Disposals (Net)	(5.822)	(32.829)
Impairment Charge/Cancellation(-)	198	(83)
Amortization Charge(-) ⁽¹⁾	(381)	1.025
Net Book Value	6.971	6.009

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.552.464 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.323.615).

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.588.581	-	1.631.774	12.280.604	4.930.815	2.396.805	3.139.084	13.049	27.980.712
Residents in Turkey	2.125.249	-	1.516.879	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.575.446
Residents abroad	1.463.332	-	114.895	360.587	123.455	401.338	941.533	126	3.405.266
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. deposits	3.132.308	-	2.224.622	11.896.354	498.577	487.939	179.953	-	18.419.753
Other inst. deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.113	-	3.727.382	1.816.514	343.404	681.08	476.783	-	10.017.304
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	22.831	-	2.425.179	972.335	80.184	4.209	115	-	3.504.853
Foreign banks	3.129.531	-	1.302.203	844.179	263.220	63.899	476.668	-	6.079.700
Participation banks	432.751	-	-	-	-	-	-	-	432.751
Total	18.692.179	-	8.714.474	56.423.383	7.879.525	3.925.025	4.624.755	135.838	100.395.179

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	3.058.762	-	1.299.703	8.727.684	2.008.067	1.111.080	2.101.243	11.144	18.317.683
Residents in Turkey	2.379.395	-	1.203.937	8.490.388	1.827.782	785.953	1.434.000	11.006	16.132.461
Residents abroad	679.367	-	95.766	237.296	180.285	325.127	667.243	138	2.185.222
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. Deposits	2.146.606	-	1.168.876	6.704.188	2.119.078	173.019	65.477	-	12.377.244
Other inst. Deposits	391.063	-	2.538.913	1.050.647	668.794	317.580	72.618	-	5.039.615
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.718	-	2.327.209	542.250	139.245	437.281	173.949	-	7.420.652
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3.793	-	158.095	82.230	135.683	810.40	-	-	460.841
Foreign banks	3.713.587	-	2.169.114	460.020	3.562	356.241	173.949	-	6.876.473
Participation banks	83.338	-	-	-	-	-	-	-	83.338
Total	16.096.111	-	8.272.652	42.030.704	7.683.023	2.462.441	3.128.802	125.790	79.799.523

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	18.203.362	13.430.329	11.528.066	13.914.829
Foreign currency saving deposits	5.836.594	3.883.949	7.332.125	7.116.286
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	86.977	80.179	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current period	Prior period
Foreign branches' saving deposits and other accounts	144.674	130.342
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.762	2.764
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(2) Information on derivative financial liabilities held for trading:

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	4	31.123	-	4.702
Swap transactions	-	22.024	-	45.427
Future transactions	-	-	-	-
Options	30	311	14	139
Other	-	-	-	-
Total	34	53.458	14	50.268

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	659.666	932.889	267.204	178.167
Foreign banks, institutions and funds	485.457	13.008.340	317.849	7.267.850
Total	1.145.123	13.941.229	585.053	7.446.017

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	619.697	7.851.679	234.633	4.017.721
Medium and long-term	525.426	6.089.550	350.420	3.428.296
Total	1.145.123	13.941.229	585.053	7.446.017

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposit, which is composed of 30 % of saving deposits and 28 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 60% of banks deposits and 33 % of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	779.093	-	106.907	-
<i>Financial inst. and organizations</i>	713.833	-	8.966	-
<i>Other institutions and organizations</i>	33.987	-	36.784	-
<i>Real persons</i>	31.273	-	61.157	-
From overseas transactions	203	-	278	308.654
<i>Financial inst. and organizations</i>	-	-	-	308.654
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	203	-	278	-
Accruals	236	-	12	1.568
Total	779.532	-	107.197	310.222

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	845.573	-	685.137	-
Bonds ^{(2),(3)}	87.706	3.218.387	87.674	1.346.168
Total	933.279	3.218.387	772.811	1.346.168

⁽¹⁾ As of 27 December 2013, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Parent Bank.

⁽²⁾ As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750.000 with maturity of 7 years are issued by Bank

⁽³⁾ As of 25 September 2012, the bonds amounting to TRY 100.000 with maturity of 24 months are issued by the Halk Leasing.

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(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
17.957	1.470.585	9.624	1.398.263

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.356.677 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.342.153).

(7) Information on finance lease payables (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 provisions of the Tax Procedural Code.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	1.142.413	976.215
Provisions for first group loans and receivables	972.257	847.278
<i>Additional provisions for the loans with extended payment plan</i>	<i>15.179</i>	<i>28.583</i>
Provisions for second group loans and receivables	90.911	66.468
<i>Additional provisions for the loans with extended payment plan</i>	<i>74.253</i>	<i>53.421</i>
Provisions for non cash loans	79.245	62.469
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2013, the Bank's specific provision for unindemnified non-cash loans balance is TRY 69.008 (31 December 2012: TRY 62.896). TRY 2.377 (31 December 2012: TRY 2.483) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 253.319 (31 December 2012: TRY 455.383) consists of TRY 69.008 (31 December 2012: TRY 62.896) for specific provisions for unindemnified non cash loans, TRY 26.222 (31 December 2012: TRY 29.112) for legal cases filed against the Bank, TRY 132.231 (31 December 2012: TRY 328.300) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 25.858 (31 December 2012: TRY 35.176) of other provisions.

e) Movement of employee termination benefits:

The Parent Bank's severance indemnity provision is calculated by an independent company by using the severance indemnity provision as of 31 December 2013 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows:

	Current Period ⁽¹⁾	Prior Period
Discount Rate	%9,80	%7,63
Inflation Rate	%6,40	%5,00
Wage growth	%3,20	%2,63
Estimated Real Wage Growth Rate	%6,60	%5,20

Calculated amounts as a result of actuarial conjectures are as follows:

	Current period	Prior period
As of January 1	295.809	227.040
Charge for the year	25.997	18.312
Interest Expense	21.859	21.263
Actuarial gain/loss	(18.126)	49.782
Payment/The limitation of benefits/ Loss (Gain) because of discharge	3.282	7.700
Benefits paid within the period(-)	(30.029)	(28.288)
Total	298.792	295.809

As of 31 December 2013, the Group's unused vacation provision is TRY 113.617 and severance indemnity provision for outsource firms is TRY 8.026. This amount is followed under employee benefits provision under liabilities (31 December 2012: TRY 103.247 for unused vacation provision; TRY 6.609 for severance indemnity provision for outsources firms).

As of 1 January 2013, the Group's actuarial gains and losses are recognized and accounted in shareholders' equity.

f) Liabilities on pension rights

f.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2013 and 31 December 2012, no technical deficit has been reported. Besides, no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı, T.C. Ziraat Bankası and T. Halk Bankası Çalışanları Emekli Sandığı Vakfı has been reported as of 31 December 2012 and 31 December 2011.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

g) Explanations related to Insurance technical reserves (Net):

	Current period	Prior period
Life-Mathematical Provisions	225.567	187.741
Provisions for unearned premium claims	175.630	180.963
Provision for outstanding claims	134.474	91.323
Provisions for unexpired risk reserves	-	85
Other	612	42
Total	536.283	460.154

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2013, the Group's corporate tax payable is amounting to TRY 62.701 after setting off TRY 213.969 of prepaid taxes from TRY 276.670 of corporate tax liabilities tax provision.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	62.701	379.523
Income on securities tax	72.050	65.642
Property income tax	773	628
Banking and insurance transactions tax (BITT)	36.893	35.039
Foreign exchange transactions tax	11	3
Value added tax payable	277	3.867
Other	21.639	18.106
Total	194.344	502.808

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	421	284
Social insurance premiums-employer	402	463
Bank social aid pension fund premium-employee	5.205	4.462
Bank social aid pension fund premium-employer	7.205	6.211
Pension fund membership fees-employee and provisions-employee	-	1
Pension fund membership fees-employer and provisions-employer	14	2
Unemployment insurance-employee	17	15
Unemployment insurance-employer	41	41
Other	2.671	1.369
Total	15.976	12.848

b) Explanations regarding deferred tax liability:

As of 31 December 2013, the Group has TRY 10.837 of deferred tax liability. (31 December 2012: TRY 2.456)

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(12) Explanations on the number of subordinated loans the Parent Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1,250,000	1,250,000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

None.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

The Group has sustainable profitability structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	16,729	-	-	-
Revaluation difference	(158,355)	(143,043)	357,153	49,710
Exchange rate difference	-	-	-	-
Total	(141,626)	(143,043)	357,153	49,710

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	630,421	514,816
Second Legal Reserves	442,849	398,280
Legal reserves appropriated in accordance with the law	2,676	1,856
Total	1,075,946	914,952

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j) Information on the extraordinary reserves

	Current Period	Prior period
Reserves appropriated by General Assembly	6.838.498	4.957.790
Retained Earnings	149.403	66.880
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	6.987.901	5.024.670

(14) a) Information on minority interest shares:

a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	134.835	4.206
Export Premium	11.085	199
Marketable Securities Revaluation Fund	(85)	23
Legal Reserves	707	119
Extraordinary Reserves	6.254	491
Retained Earnings	(186)	(883)
Other Profit Reserves	310	(90)
Net Period Income / Loss	10.027	697
Closing Balance	162.947	4.762

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	4.762	6.840
Change in Minority Interest	148.158	(2.775)
Net Period Income / Loss	10.027	697
Closing Balance	162.947	4.762

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior period
Commitments for credit card expenditure limits	9.896.720	6.021.405
Payment commitments for cheques	4.670.295	4.575.929
Loan granting commitments	1.572.258	1.053.442
Two days forward foreign exchange buy/sell transactions	1.461.853	1.309.055
Commitments for credit cards and banking services promotions	37.663	30.707
Tax and fund liabilities from export commitments	13.413	13.903
Other irrevocable commitments	1.711.506	1.427.159
Total	19.363.708	14.431.600

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Letters of credit	3.825.259	2.809.737
Bank acceptance loans	1.944.803	1.183.307
Other guarantees	956.431	551.962
Total	6.726.493	4.545.006

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	10.645.927	7.205.696
Letters of advance guarantees	1.697.143	1.715.752
Letters of tentative guarantees	747.085	1.036.387
Letters of guarantee given to customs offices	925.226	399.607
Other letters of guarantee	6.378.555	4.856.417
Total	20.393.936	15.213.859

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	423.414	376.921
<i>Within one year or less original maturity</i>	<i>70.295</i>	<i>13.319</i>
<i>Within more than one year maturity</i>	<i>353.119</i>	<i>363.602</i>
Other non-cash loans	26.697.015	19.381.944
Total	27.120.429	19.758.865

c.1) Non-cash loans sectoral risk concentrations:

	Current period				Prior period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	18.638	0,14	1.210	0,01	15.850	0,16	7.575	0,08
<i>Farming and raising livestock</i>	<i>14.453</i>	<i>0,11</i>	<i>1.120</i>	<i>0,01</i>	<i>13.616</i>	<i>0,14</i>	<i>7.416</i>	<i>0,07</i>
<i>Forestry</i>	<i>362</i>	<i>0,00</i>	<i>0</i>	<i>0,00</i>	<i>311</i>	<i>0,00</i>	<i>0</i>	<i>0,00</i>
<i>Fishing</i>	<i>3.823</i>	<i>0,03</i>	<i>90</i>	<i>0,00</i>	<i>1.923</i>	<i>0,02</i>	<i>159</i>	<i>0,00</i>
Manufacturing	3.052.627	23,83	7.875.942	55,04	2.497.573	25,59	5.431.305	54,32
<i>Mining</i>	<i>67.664</i>	<i>0,53</i>	<i>98.804</i>	<i>0,69</i>	<i>52.277</i>	<i>0,54</i>	<i>117.185</i>	<i>1,17</i>
<i>Production</i>	<i>2.120.143</i>	<i>16,55</i>	<i>6.811.081</i>	<i>47,60</i>	<i>1.913.354</i>	<i>19,61</i>	<i>5.056.865</i>	<i>50,57</i>
<i>Electric, gas and water</i>	<i>864.820</i>	<i>6,75</i>	<i>966.057</i>	<i>6,75</i>	<i>531.942</i>	<i>5,45</i>	<i>257.255</i>	<i>2,57</i>
Construction	3.385.711	26,43	2.624.856	18,35	2.911.411	29,83	2.232.215	22,32
Services	6.246.790	48,76	3.601.003	25,16	4.231.887	43,36	2.277.926	22,78
<i>Wholesale and retail trade</i>	<i>2.619.589</i>	<i>20,45</i>	<i>1.677.496</i>	<i>11,72</i>	<i>1.724.829</i>	<i>17,67</i>	<i>1.144.892</i>	<i>11,45</i>
<i>Hotel, food and beverage services</i>	<i>56.412</i>	<i>0,44</i>	<i>42.897</i>	<i>0,30</i>	<i>52.285</i>	<i>0,54</i>	<i>9.853</i>	<i>0,10</i>
<i>Transportation and telecommunication</i>	<i>98.138</i>	<i>0,77</i>	<i>236.564</i>	<i>1,65</i>	<i>111.747</i>	<i>1,15</i>	<i>41.520</i>	<i>0,42</i>
<i>Financial institutions</i>	<i>2.567.595</i>	<i>20,04</i>	<i>598.306</i>	<i>4,18</i>	<i>1.951.977</i>	<i>20,00</i>	<i>574.376</i>	<i>5,74</i>
<i>Real estate and renting services</i>	<i>838.794</i>	<i>6,55</i>	<i>1.025.396</i>	<i>7,17</i>	<i>351.881</i>	<i>3,61</i>	<i>491.139</i>	<i>4,91</i>
<i>Self-employment services</i>	<i>9.511</i>	<i>0,07</i>	<i>1.268</i>	<i>0,01</i>	<i>8.836</i>	<i>0,09</i>	<i>327</i>	<i>0,00</i>
<i>Education services</i>	<i>8.131</i>	<i>0,06</i>	<i>8.918</i>	<i>0,06</i>	<i>5.348</i>	<i>0,05</i>	<i>3.135</i>	<i>0,03</i>
<i>Health and social services</i>	<i>48.620</i>	<i>0,38</i>	<i>10.158</i>	<i>0,07</i>	<i>24.984</i>	<i>0,26</i>	<i>12.684</i>	<i>0,13</i>
Other	108.717	0,84	204.935	1,44	102.537	1,05	50.586	0,51
Total	12.812.483	100,00	14.307.946	100,00	9.759.258	100,00	9.999.607	100,00

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	12.586.076	14.137.365	226.407	170.581
Letters of guarantee	12.010.732	7.989.972	226.407	166.825
Bank acceptances	90.489	1.853.368	-	946
Letters of credit	2.062	3.820.387	-	2.810
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	482.793	473.638	-	-

c.3) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Risk Management	
	Current period	Prior period	Current period	Prior period
Types of trading transactions				
Foreign currency related derivative transactions (I)	19.538.631	8.891.410	-	-
Forward foreign currency buy/sell transactions	1.903.482	1.380.800	-	-
Currency buy/sell swap	17.384.112	7.229.476	-	-
Currency futures	-	-	-	-
Currency put/call options	251.037	281.134	-	-
Interest related derivative transactions (II)	1.356.800	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.356.800	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	155.323	684.833	-	-
A. Total trading derivative transactions (I+II+III)	21.050.754	9.576.243	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B.Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	21.050.754	9.576.243	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 5.873 and TRY 149.450 respectively.

d) Information on contingent liabilities and assets:

The Group has provided TRY 26.222 (31 December 2012: TRY 29.112) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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f) Information on revocable commitments:

As per the BRSA's article, dated 3 June 2013, non-cash loans and cash loans within credit agreements which are not been granted or do not have a guarantee to be granted should be accounted under the other off-balance sheet items. According to that article, the Bank removed the amount TRY 61.138.353 from the Statement of Off-Balance Sheet Items, which was previously reported as revocable loan granting commitments under the Statement of Off-Balance Sheet Items.

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	1.677.994	124.983	1.971.246	171.723
Medium and long term loans	4.210.256	1.072.079	3.660.297	857.673
Interest on non-performing loans	62.109	574	79.709	533
Premiums from resource utilization support fund	-	-	-	-
Total	5.950.359	1.197.636	5.711.252	1.029.929

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	11.530	3.845	5.794	1.855
Overseas banks	2.768	2.070	1.347	3.310
Head office and branches	-	-	-	-
Total	14.298	5.915	7.141	5.165

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.783	614	2.962	883
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	668.112	126.506	755.604	70.951
Held-to-Maturity Investments	1.276.029	13.779	1.321.921	115.694
Total	1.948.924	140.899	2.080.487	187.528

d) Interest income from associates:

	Current period	Prior period
Interest income and commissions from associates	8	11

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(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	35.313	197.952	29.770	139.833
<i>Central Bank of Turkey</i>	1	-	-	-
<i>Domestic banks</i>	26.940	17.726	25.132	11.268
<i>Overseas banks</i>	8.372	180.226	4.638	128.565
<i>Overseas head office and branches</i>	-	-	-	-
<i>Other institutions</i>	26.698	-	12.755	1.220
Total	62.011	197.952	42.525	141.053

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	1.797	3.660

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	50.737	130.174	68.631	29.659
Total	50.737	130.174	68.631	29.659

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	67	59.529	16.321	4.946	576	-	-	81.439	
Saving deposits	6	17.960	1.570.567	124.013	36.379	52.896	8.323	1.810.144	
Public deposits	513	44.393	263.303	24.851	1.071	886	-	335.017	
Commercial deposits	10	98.613	555.369	76.974	57.604	14.314	-	802.884	
Other deposits	2	20.134	98.870	35.186	26.901	9.667	-	190.760	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	598	240.629	2.504.430	265.970	122.531	77.763	8.323	3.220.244	
Foreign currency									
Deposits	300	30.410	263.615	122.403	41.841	91.223	-	549.792	
Bank deposits	3	30.710	-	-	178	-	-	30.891	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	303	61.120	263.615	122.403	42.019	91.223	-	580.683	
Grand total	901	301.749	2.768.045	388.373	164.550	168.986	8.323	3.800.927	

(3) Information on dividend income:

	Current period	Prior period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	2.145	622
Other	9.635	136
Total	11.780	758

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	13.021.384	8.290.818
Profit from the capital market operations	333.534	392.870
Profit on derivative financial instruments	2.532.046	1.455.553
Foreign exchange gains	10.155.804	6.442.395
Loss (-)	12.774.593	7.734.927
Loss from the capital market operations	10.441	3.956
Loss on derivative financial instruments	2.069.932	1.662.605
Foreign exchange losses	10.694.220	6.068.366

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	2.532.046	1.455.553
Effect of the change in foreign exchange on profit	2.512.148	1.455.553
Effect of the change in interest rate on profit	19.898	-
Loss on derivative financial instruments (-)	2.069.932	1.662.605
Effect of the change in foreign exchange on loss	2.060.160	1.601.565
Effect of the change in interest rate on loss	9.772	61.040
Profit/loss on derivative financial instruments	462.114	207.052

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ⁽¹⁾	645.300	204.622
Life insurance income	591.444	363.665
Receivable from the asset sale on credit terms	86.627	118.796
Rent income	23.283	6.026
Other income	15.645	40.153
Total	1.362.299	733.262

⁽¹⁾ As of 31 December 2013, the Bank reversed the general reserve amounting to TRY 196.069 which had been recognized as expense on previous periods.

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	439.980	385.824
<i>Group-III loans and receivables</i>	<i>248.212</i>	<i>261.648</i>
<i>Group-IV loans and receivables</i>	<i>111.299</i>	<i>37.967</i>
<i>Group-V loans and receivables</i>	<i>80.469</i>	<i>86.209</i>
General loan provision expenses	325.238	316.301
Provision expenses for possible losses	-	134.300
Marketable securities impairment losses	13	6.548
<i>Financial assets at fair value through profit and loss</i>	<i>-</i>	<i>-</i>
<i>Financial assets available for sale</i>	<i>13</i>	<i>6.548</i>
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Jointly controlled entities (joint ventures)</i>	<i>-</i>	<i>-</i>
<i>Investments held-to-maturity</i>	<i>-</i>	<i>-</i>
Other ⁽¹⁾	122.385	57.926
Total	887.616	900.899

⁽¹⁾ According to the decision of the Competition Board as at 2 November 2011, the investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Bank had been completed and the Bank has been paid a fine amounting TRY 67.269 on 8 February 2013 with the declaration of decision.

TÜRKİYE HALK BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1,158,645	889,729
Reserve for employee termination benefits	52,854	98,692
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	110,686	104,321
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	7,567	4,867
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1,365	3,514
Amortization expenses of assets that will be disposed of	3,873	5,113
Impairment expense for property and equipment held for sale	59	7
Other operating expenses	1,088,145	794,492
<i>Operational leasing expenses</i>	131,490	111,560
<i>Maintenance expenses</i>	26,271	16,354
<i>Advertisement expenses</i>	149,566	97,252
<i>Other expenses</i>	780,818	569,326
Loss on sales of assets	1,487	458
Other	660,481	495,440
Total	3,085,162	2,396,633

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Group's income before tax is due from continuing activities. TRY 4,993,550 of the income before tax consists of net interest income, TRY 852,825 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 3,506,382.

(9) Information on tax provisions for continuing and discontinued operations:

For the year ended 31 December 2013, the Bank's tax provision amounting to TRY 653,657 consists of TRY 301,317 of current tax charge and TRY 352,340 of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

For the year ended 31 December 2013; the Bank's net operating income after tax is amounting to TRY 2,852,725.

(11) Information on net profit/loss from continuing and discontinued operations:

a) *Income and expenses from ordinary banking operations:* There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2013 and 31 December 2013.

b) *Effects of changes in accounting estimates on the current and future periods' profit/loss:* There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 1.219.415 thousands for the year 2013. The "other" item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 3.504.710 thousands cash out for the year 2013.

For the year ended 31 December 2013, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 638.106 increase (31 December 2012: TRY 521.045, decrease).

(2) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

(4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	12.517.078	7.287.733
<i>Cash in TRY and foreign currency</i>	693.316	486.600
<i>Central Bank and others⁽¹⁾</i>	11.823.762	6.801.133
Cash equivalents	2.750.971	1.572.018
<i>Demand and Time Deposits Up to 3 Months</i>	2.588.437	1.538.705
<i>Money Market Placements</i>	162.534	33.313
Total cash and cash equivalents	15.268.049	8.859.751
Reserve deposits in Central Bank	(9.870.896)	(3.975.813)
Bank blockage balance ⁽²⁾	(140.697)	(96.889)
Accruals on money market placement	(34)	(56)
Accruals on banks	(1.728)	(3.027)
Cash and Cash Equivalents	5.254.694	4.783.966

⁽¹⁾ Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ, amounting to TRY 120.162, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ, amounting to TRY 20.535, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	20.021.395	12.517.078
Cash in TRY and foreign currency	816.075	693.316
Central Bank and others ⁽¹⁾	19.205.320	11.823.762
Cash Equivalents	2.133.459	2.750.971
Demand and Time Deposits Up to 3 Months	1.902.775	2.588.437
Money Market Placements	230.684	162.534
Cash and Banks	22.154.854	15.268.049
Reserve deposits in Central Bank	(15.470.667)	(9.870.896)
Bank blockage balance ⁽²⁾	(161.784)	(140.697)
Accruals for money market placement	(211)	(34)
Accruals for banks	(2.611)	(1.728)
Total Cash and Cash Equivalents	6.519.581	5.254.694

⁽¹⁾ Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

⁽²⁾ Technical reserves of Halk Hayat ve Emeklilik AŞ, amounting to TRY 135.667, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ. has blockage balance amounting to TRY 26.107 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

(1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	2.726	-	-	-	-
Closing balance	-	1.119	-	-	-	-
Interest and commissions income	-	8	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	4.477	-	-	-	-
Closing balance	-	2.726	-	-	-	-
Interest and commissions income	-	11	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c.1. Deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	23.690	84.030	-	-	-	-
Closing Balance	34.651	23.690	-	-	-	-
Interest expense on deposits	1.797	3.660	-	-	-	-

c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The Parent Bank's branches may operate as insurance agencies of Halk Sigorta AŞ ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of the Parent Bank's funds.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	1.119	%0,00
Deposits	34.651	%0,03
Forward and option contracts	-	-
Banks and financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 15.867 as of 31 December 2013 (31 December 2012: TRY 12.804).

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	872	14.754			
Agencies Abroad	1	2	Tahran/İRAN		
Overseas Branches	4	21	Lefkoşa/KKTC	250.303	50.000
		8	Gazimagosa/KKTC	31.822	-
		8	Girne/KKTC	38.994	-
		2	Paşaköy/KKTC	623	-
Off-shore Branches	1	3	Manama/BAHREYN	8.950.738	-

(2) Explanations on branch and agency openings or closings of the Parent Bank:

The Parent Bank opened 56 domestic branches during the year.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Mr. Ali Fuat TAŞKESENLIOĞLU has been appointed as a new member of the Board of Directors in accordance with the decision of the Board of Directors meeting of the Parent Bank held on 6 February 2014, following the decease of Mr. Ahmet KAHRAMAN in order to submit first General Assembly for acceptance and getting the approval from Banking Regulation and Supervision Board in respect of appointment of Mr. Ali Fuat TAŞKESENLIOĞLU as Chief Executive Officer decided in accordance with the decision.

As per the approval of BRSA dated on 7 February 2014, the decision has been made on the termination of the duty of Mr. Süleyman ASLAN as the Chief Executive Officer and the assignment of Board of Directors member Mr. Ali Fuat TAŞKESENLIOĞLU as the Chief Executive Officer.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

The Istanbul Chief Public Prosecutor's Office has included Mr. Süleyman ASLAN, who is the member of the Board of Directors (former Chief Executive Officer) of the Parent Bank to the scope of the judicial inquiry which is known in the public and demanded information and documents from the Bank about this investigation.

The transactions that might be considered in the scope of the judicial inquiry have been inspected and audited comprehensively by the Board of Inspectors of the Parent Bank. There is no finding on any significant case that might influence the financial statements of the Parent Bank according to the report prepared by the Board of Inspectors of the Parent Bank. The auditors of the BRSA made also an examination regarding this issue and there is not any negative opinion or problematical transaction conveyed to the Parent Bank by BRSA.

According to Board of Director of the Parent Bank's decision made on the 6 February 2014, Mr. Ali Fuat TAŞKESENLIOĞLU has been elected as a Member of the Board, pursuant to the Turkish Commercial Code Article 363 for the vacant Board Membership due to decease of Mr. Ahmet Kahraman. Mr. Ali Fuat TAŞKESENLIOĞLU has started his position as Member of the Board on 7 February 2014. The title of the CEO has been taken from Mr. Süleyman ASLAN and Mr. Ali Fuat TAŞKESENLIOĞLU is assigned as Chief Executive Officer of Halkbank as per to the approval of BRSA and the resolution of the Board of Directors of the Parent Bank dated 7 February 2014.

In its announcement on the Public Disclosure Platform dated 23 December 2013 and 13 January 2014 the Board of Directors of the Parent Bank has informed the public and the investors, that the Parent Bank does not have any business operations or transaction in contradiction with the national and international regulations and there is no undertaken review or investigation regarding the related authorities in relation to the Parent Bank's legal entity, and further, that the Parent Bank is continuing and will continue its activities, as it has done in the past, uninterrupted and in line with all national and international regulations.

SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Parent Bank as of and for the year ended 31 December 2013 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 5 March 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

We draw attention to the judicial inquiry about Mr. Süleyman ASLAN (former Chief Executive Officer of the Parent Bank) as explained by the Board of Directors in the Section VI. This issue is not qualifying our opinion presented in the introduction part.

Directory

Trade Registration Number

862070

Istanbul Trade Registry Office

Web Site

www.halkbank.com.tr

Corporate e-mail

webadmin@halkbank.com.tr

Call Center

Halkbank Dialog 444 0 400

Head Office (Main)

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Telephone: (+90 216) 503 70 70

- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Financial Institutions and Investor Relations
- Department of Treasury Operations
- Department of Treasury Management Mid-Office
- Department of Project Finance
- Department of Channel Management
- Department of Payment Card Systems
- Department of SME Marketing-2
- Department of SME Loans-2
- Department of Loans Policies and Practices
- Department of Loan and Project Evaluation
- Department of Corporate Marketing
- Department of Operational Strategy and Innovation Management
- Department of Subsidiaries and Affiliates Management
- Department of Money and Capital Markets
- Department of Risk Collection and Liquidation-Istanbul
- Department of Commercial Marketing-2
- Department of Commercial Loans-2
- Department of International Banking and Structured Finance

Head Office

(Support Unit)

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06510 Çankaya/ANKARA
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- Department of Budget and Performance Management
- Department of Administrative Services
- Department of Foreign Operations
- Disciplinary Board
- Department of Staff Training
- Department of Artisans Banking
- Department of Financial Accounting and Reporting
- Legal Consultancy
- Department of Internal Control
- Department of Human Resources
- Department of Premises Construction and Appraisal
- Department of SME Marketing-1
- Department of SME Loans-1
- Department of Loans Risk Monitoring
- Department of Corporate Loans
- Department of Deposit and Cash Management
- Department of Organization
- Department of Risk Collection and Liquidation-Ankara
- Department of Risk Management
- Department of Branch Operations
- Department of and Public Relations
- Department of Board of Inspectors
- Department of Commercial Marketing-1
- Department of Commercial Loans-1
- Department of Tax Management and Accounting
- Board of Directors Office Services

Head Office

(Support Unit)

Büyükdere Cad. No:82
34387 Gayrettepe/İSTANBUL

- Department of Infrastructure Operation and Management
- Department of Technological Architecture Management
- Department of Software Development

International Network of Halkbank

Bahrain Branch

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Köşklü Çiftlik Mah. Osmanpaşa
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Fax: (+392) 228 2900

Gazimağusa Branch

İsmet İnönü Bulvarı Hasipoğlu
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Girne Branch

Yukarı Girne Mah.
Hakkı Borataş Cad.
Girne/K.K.T.C.
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Paşaköy Satellite Branch

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