

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3.1)*

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Year Ended 31 December 2013
With Independent Auditors' Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

17 February 2014

*This report contains "Independent Auditors'
Report" comprising 2 pages and;
"Unconsolidated Financial Statements and
Related Disclosures and Footnotes" comprising
108 pages.*

*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 3.1, 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/İstanbul
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.

İstanbul, 17 February 2014

Hasan Cebeci	Ali Fuat	Sabahattin Birdal	Ahmet	Mehmet Hakan	Yusuf Duran
	Taşkesenoğlu		Yarız	Atilla	Ocak
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer (V.)</i>	<i>Financial Accounting and Reporting Department Head</i>

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 AŞ
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 AŞ
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 (continued)

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	1.4.2013	Ankara University, Faculty of Political Science – International Relations Department.	30
Ali Fuat TAŞKESEN LİOĞLU ^(*)	Member of the Board of	7.2.2014	Master's Degree: Beykent University Social Science Ins. Business Administration Bachelor Degree: 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	İstanbul Uni. Faculty of Economics Business Administration-Finance	28
İsmail Erol İŞBİLEN	Member of the Board of Directors	1.4.2013	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. Bachelor Degree: 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 DEMİRÇİ	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	1.7.2007	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 TAŞKESEN LİOĞLU 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 AŞ
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 (continued)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY (continued)

- 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
İsmail 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

TÜRKİYE HALK BANKASI AŞ
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 (continued)

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.

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 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.

TÜRKİYE HALK BANKASI AŞ
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 (continued)

V. SUMMARY ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY (continued)

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, 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 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.

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 Standarts, 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.

TÜRKİYE HALK BANKASI AŞ
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 (continued)

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 AŞ
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 AŞ
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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO (continued)

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	37.852.013	-	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	8.126.295	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
Capital to be employed for credit risk (Amount subject to credit risk*0,08) (I)	7.478.310	5.600.516
Capital to be employed for market risk (II)	243.150	133.905
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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

I. EXPLANATIONS RELATED TO THE CAPITAL ADEQUACY RATIO (continued)

3. Information on equity items:

	Current period	Prior period
CORE CAPITAL		
Paid-in capital	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	<i>-</i>	<i>-</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>	<i>2.750.843</i>	<i>2.595.211</i>
<i>Prior period profit</i>	<i>-</i>	<i>-</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>-</i>	<i>-</i>
<i>Prior period loss</i>	<i>-</i>	<i>-</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

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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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.

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).

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount^(**)	Prior 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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

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 retail 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	-	-	974	-	-	-	292.866
6. Other Countries	-	-	-	48.903	22.127	319	-	-	-	-	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	-	-	-	1.504.130	-	-	-	-	-	-	1.504.130
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	-	-	-	-	-	-	364.053
6. Other Countries	-	-	-	201.653	280.620	64.269	1.020	-	-	133	547.695
7. Investment and associates, subsidiaries and joint ventures	-	-	-	509.081	101.077	-	-	-	-	-	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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Profile according to sectors:

	Risk Classifications ⁹⁾											TC	FC	Total
	Current Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans			
Agricultural	-	7	79	-	82.200	316.514	76.817	21.827	-	59.563	496.325	60.682	557.007	
<i>Farming and raising livestock</i>	-	7	79	-	57.234	299.505	66.022	21.729	-	59.484	462.339	41.721	504.060	
<i>Forestry</i>	-	-	-	-	-	2.669	708	82	-	79	3.538	-	3.538	
<i>Fishing</i>	-	-	-	-	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	
<i>Mining</i>	-	80	49.524	-	168.006	56.344	220.793	2.385	-	-	199.341	297.791	497.132	
<i>Production</i>	-	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	
<i>Electric, gas and water</i>	-	-	-	-	1.656.719	17.930	173.731	146	-	-	228.025	1.620.501	1.848.526	
Construction	-	6	-	-	3.686.109	527.018	1.124.827	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	-	2.100.847	47.790.968	30.964.916	78.755.884	
<i>Wholesale and retail trade</i>	-	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	
<i>Hotel, food and beverage services</i>	-	10	-	-	676.406	287.821	1.164.641	25.178	-	91	665.388	1.488.759	2.154.147	
<i>Transportation and telecommunication</i>	-	-	19.467	-	1.481.035	3.208.553	316.100	25.178	-	604	3.660.768	1.390.169	5.050.937	
<i>Financial institutions</i>	38.845.284	-	-	5.080.183	552.020	18.305	160.474	539	-	1.934.118	25.368.608	21.222.315	46.590.923	
<i>Real estate and renting services</i>	3	88.015	18.559	-	3.943.762	1.534.765	1.304.772	11.298	-	155.902	3.745.898	3.311.178	7.057.076	
<i>Self-employment services</i>	-	6	-	-	960	436.787	82.666	1.465	-	4.844	517.266	9.462	526.728	
<i>Education services</i>	205	16	39.964	-	113.979	41.675	93.968	260	-	2	157.512	132.557	290.069	
<i>Health and social services</i>	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	59.592	-	5.988.426	8.563.224	5.177.025	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	

⁽⁹⁾Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Risk Profile according to sectors:

	Risk Classifications ⁹⁾										TC	FC	Total
	Prior Period	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property			
Agricultural	13	35	268	-	80.360	396.596	80.057	23.757	-	46.612	579.147	48.551	627.698
<i>Farming and raising livestock</i>	13	35	268	-	64.741	375.418	80.057	23.559	-	46.533	558.229	32.395	590.624
<i>Forestry</i>	-	-	-	-	-	3.197	-	184	-	79	3.460	-	3.460
<i>Fishing</i>	-	-	-	-	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
<i>Mining</i>	-	56	38.433	-	169.749	97.691	49.141	2.167	-	-	153.705	203.532	357.237
<i>Production</i>	-	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
<i>Electric, gas and water</i>	-	-	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	2.817.195	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
<i>Wholesale and retail trade</i>	-	226	16.000	-	4.494.235	5.307.990	2.983.195	94.898	-	5.192	10.649.846	2.251.890	12.901.736
<i>Hotel, food and beverage services</i>	-	10	-	-	1.014.906	320.943	245.458	4.086	-	91	513.728	1.071.766	1.585.494
<i>Transportation and telecommunication</i>	-	-	201	-	475.235	2.136.678	479.930	10.975	-	600	2.610.256	493.363	3.103.619
<i>Financial institutions</i>	25.329.375	-	-	6.057.372	541.565	35.370	-	403	-	1.881.809	18.555.046	15.290.848	33.845.894
<i>Real estate and renting services</i>	252	114.257	16.641	-	2.766.361	1.274.256	387.326	4.338	-	202.235	2.359.217	2.406.449	4.765.666
<i>Self-employment services</i>	-	6	-	-	363	295.845	54.427	1.229	-	6.195	357.858	207	358.065
<i>Education services</i>	254	2	1.391	-	88.491	51.267	25.680	242	-	3	143.223	24.107	167.330
<i>Health and social services</i>	7.808	1.690	86	-	441.068	110.486	101.346	17.113	-	77	272.834	406.840	679.674
Other	1.423.575	199.057	2.790	-	1.429.443	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

⁹⁾Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Distribution of maturity risk factors according to their outstanding maturities:

Current Period Risk Classifications	According to outstanding maturities				1 year and over
	1 month	1-3 month	3-6 month	6-12 month	
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	290.659	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

(*) Commitments amounting TRY 4.239.711 are not included in the table 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 corporate and claims included in the regulatory retail portfolios.

Prior Period Risk Classifications	According to outstanding maturities				1 year and over
	1 month	1-3 month	3-6 month	6-12 month	
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

(*) Commitments amounting TRY 3.236.592 are not included in the table 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 corporate and claims included in the regulatory retail portfolios.

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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

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
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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Information according to sectors and counterparties:

Current Period		Loans		
Sectors / Counterparties	Non-performing loans	Overdue (**)	Value Adjustments	Provisions
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	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.

Prior Period		Loans		
Sectors / Counterparties	Non-performing loans	Overdue (**)	Value Adjustments	Provisions
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	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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

Information about value adjustments and changes in the loan impairment:

	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
Current Period					
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
Prior Period					
1. Specific Provisions	1.401.737	382.808	167.907	-	1.616.638
2. General Provisions	656.783	315.365	-	-	972.148

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

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.

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CREDIT RISK (continued)

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 27.828 (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	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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK

In accordance with the Bank' 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' 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.

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

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

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.

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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE MARKET RISK (continued)

Gross positive fair value of contracts, the securities which are held and the net position of derivatives is disclosed below.

	Amount*
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

(*) 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)

	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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

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	7.887.794	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: 44.365 TL)

⁽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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

V. EXPLANATIONS RELATED TO THE CURRENCY RISK (continued)

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	
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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK (continued)

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	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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VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK (continued)

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates (continued):

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	11.589	-	-	-	-	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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK (continued)

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	0,00	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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VI. EXPLANATIONS RELATED TO THE INTEREST RATE RISK (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		
	Balance Sheet Value	Fair Value Change	Market Value
1. Associates	92.553	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	2.334.263	2.188.904	590.794
Quoted in a stock exchange⁽¹⁾	914.612	914.612	590.794
Traded on Free Trading Platform ⁽¹⁾	323.818	323.818	-
Investments securities for Group A ^{(2),(3)}	590.794	590.794	590.794
Unquoted in a stock exchange	1.419.651	1.274.292	-

⁽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 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 AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul 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 İstanbul 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 İstanbul 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 İstanbul A.Ş.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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 (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	-	-	-	1.848.776
Financial assets at fair value through profit and loss	-	68.114	22.415	31.687	36.253	5.064	-	163.533
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	496.047	326.846	856.502	3.241.553	4.555.648	64.152	9.540.748
Loans ⁽²⁾	1.121.733	6.176.601	6.783.793	26.933.780	37.128.653	6.268.881	-	84.413.441
Held-to-maturity investments	-	188.083	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	306.452	300.131	-	-	-	10.017.193
Other deposits	15.109.579	47.205.757	19.588.686	8.670.709	159.198	5.075	-	90.739.004
Funds provided from other financial institutions ⁽⁴⁾	3.427	453.033	756.259	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	1.014.151	1.763.434	1.317.742	-	4.164.684
Sundry creditors	168.333	598.850	59.911	252.971	543.871	117	-	1.624.053
Other liabilities ⁽¹⁾	3.280.434	226.027	183.871	543.465	209.705	175.332	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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK (continued)

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 SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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.

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	-	-	-

(*)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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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.

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.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE RISK MANAGEMENT TARGET AND POLICIES (continued)

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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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 afore-mentioned 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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

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	67.171.161	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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

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	4.631.414	4.851.153	(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	1.142	24.124	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	-	-	-	83.156	-	83.156
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 1.123.165 (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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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

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).

Classification requires using observable market data if possible.

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SECTION IV: INFORMATION ON FINANCIAL STRUCTURE (continued)

XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)

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⁾ :				
<i>Debt securities</i>	20.174	139.687	-	159.861
<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⁾As of 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⁾ :				
<i>Debt securities</i>	19.018	83.156	-	102.174
<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.

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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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

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	9.659.732	9.385.785
<i>Quoted on a stock exchange</i>	9.659.732	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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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	
Cash loans						
Non-specialized loans	66.179.822	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	-	27.828	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.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Number of modifications made to extend payment plan		
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.

	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended period of time		
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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

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
<i>Non-specialized loans</i>	17.949.434	459.373	201.638	40.588
<i>Specialized lending</i>	139.670	17.134	193	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	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
<i>Non-specialized loans</i>	47.421.303	349.712	425.135	1.421.164
<i>Specialized lending</i>	14.740.876	40.296	164.788	22.494
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	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
<i>Non-specialized loans</i>	16.580.920	310.067	193.945	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	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
<i>Non-specialized loans</i>	33.750.201	225.797	498.201	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1.161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	534.681	3.298	7.589	12.098

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

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

⁽¹⁾ Interest income accruals are not included in the table above.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

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

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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	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

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

None.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	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.

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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans: (continued)

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

(*)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

(*)Only the overdue loans that subject to outstanding principal payment amounting to TRY 521.515 are included.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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

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	
	TRY	FC	TRY	FC
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	
	TRY	FC	TRY	FC
Debt securities		18.854.586		13.455.515
<i>Quoted on a stock exchange</i>		17.626.787		11.623.088
<i>Not quoted</i>		1.227.799		1.832.427
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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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(6) Information on held-to-maturity investments: (continued)

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 ⁽¹⁾	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 ⁽¹⁾	5.167.817	937.622	5.274.255	945.657	2.049.330	254.067	2.115.933	270.795
Other ⁽¹⁾	-	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

⁽¹⁾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.	Istanbul/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	-

⁽¹⁾ No investment is listed on the stock exchange.

⁽²⁾ The information is presented from financial statements as 30 September 2013.

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

7) Information on associates (Net) (continued):

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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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)
<i>Net Profit</i>	6.255	31.440	53.769	17.112	21.131	1.005	3.785	(613)
<i>Prior Period Profit/Loss</i>	419	-	5.679	8.191	19.063	36	488	(261)
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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(8) Information on subsidiaries (continued)

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	İstanbul	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	92,45
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,62
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	77,68	77,86
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	56,00	99,63
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	99,90
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul	100,00	100,00

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 Istanbul A.Ş.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(8) Information on subsidiaries (Net): (continued)

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
<i>Purchases^(*)</i>	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^(*)</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 (%)	-	-

^(*)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

f) 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 A.Ş. are traded on the Borsa İstanbul A.Ş. Free Trading Platform. The fair value of Halk Sigorta AŞ 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.

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(12) Information on tangible assets (continued):

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
Other	-	-	-	-	-
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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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
Prior 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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE 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	3.473.557	-	1.629.520	12.212.789	4.930.815	2.229.731	3.039.160	13.049	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	12.923	24.688.407
<i>Residents abroad</i>	1.300.785	-	47.203	292.772	123.455	234.264	841.609	126	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	-	3.727.183	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:

	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	2.945.516	-	1.268.870	8.688.674	1.953.360	1.061.284	2.041.097	11.144	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	11.006	16.169.834
<i>Residents abroad</i>	564.648	-	29.032	198.286	125.579	275.331	607.097	138	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	-	87.708	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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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(1) Information on maturity structure of deposits: (continued)

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	-	-

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(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

(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	-
Financial inst. and organizations	713.817	-	7.697	-
Other institutions and organizations	25.887	-	36.784	-
Real persons	31.273	-	26.237	-
From overseas transactions	203	-	278	308.654
Financial inst. and organizations	-	-	-	308.654
Other institutions and organizations	-	-	-	-
Real persons	203	-	278	-
Accruals	236	-	12	1.568
Total	771.416	-	71.008	310.222

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(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.

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.

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(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.

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%

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

Information on other provisions (continued):

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 TL 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.

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

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

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

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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(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 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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

c) Total non-cash loans (continued):

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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

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.

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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE 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	1.679.941	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

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

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(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
Interest expenses to subsidiaries and associates	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

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

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(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

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 ^(*)	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

^(*)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.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(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>	247.926	260.139
<i>Group - IV loans and receivables</i>	111.218	37.234
<i>Group - V loans and receivables</i>	76.852	85.435
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>Financial assets available for sale</i>	-	6.548
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other ⁽⁶⁾	91.137	47.595
Total	848.742	886.616

⁽⁶⁾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.

(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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(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.

(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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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.
- (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.

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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	-	-	-	-

- 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)	-	-	-	-

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK (continued)

(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.

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).

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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	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 Bank:
The Bank opened 56 domestic branches during the year.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
FINANCIAL STATEMENTS (continued)**

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Mr. Ali Fuat TAŞKESENİOĞLU 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 TAŞKESENİOĞLU 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 TAŞKESENİOĞLU as the Chief Executive Officer.

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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 TAŞKESENİOĞLU 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 TAŞKESENİOĞLU 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 TAŞKESENİOĞLU 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.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.