

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

Türkiye Halk Bankası Anonim Şirketi

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

5 March 2014

*This report contains "Independent Auditors'
Report" comprising 2 pages and; "Consolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 118 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 consolidated balance sheet of Türkiye Halk Bankası AŞ (“the Bank”) and its financial subsidiaries (together “the Group”) as of 31 December 2013 and the consolidated 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 consolidated financial statements.

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the “Regulation on the Assignment and Activities of the Banks' Independent Audit Firms” published on the Official Gazette numbered 26333 on 1 November 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying consolidated financial statements as of 31 December 2013 include a general reserve amounting to net TRY 132.231 thousands after the reversal of TRY 196.069 thousands in the current period and recorded as income, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

In our opinion, except for the effect of the matter described in the fourth paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası AŞ and its financial subsidiaries as of 31 December 2013 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul,
5 March 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Erdal Tıkmak
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No:4 Ataşehir/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 consolidated year end financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE GROUP
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS AND NOTES
- **Section Seven** : INDEPENDENT AUDITORS' REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halkbank NV
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ		
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Portföy Yönetimi AŞ		
7.	Halk Faktoring AŞ		
8.	Halk Banka AD, Skopje		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2013 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 5 March 2014

Hasan Cebeci	Ali Fuat	Sabahattin Birdal	Ahmet Yarız	Mehmet Hakan	Yusuf Duran
	Taşkesenlioğlu			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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the “Parent Bank” or “Halkbank”) was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31 December 2013	%	31 December 2012	%
Prime Ministry Privatization Administration ^(1,2)	638.276	51,06	638.276	51,06
Public shares ⁽²⁾	611.272	48,90	611.266	48,90
Other shareholders	452	0,04	458	0,04
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ As per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank’s shares were registered to Capital Market Board records by decision number 16/471 dated 26 April 2007. The shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

⁽²⁾ The shares of the Prime Ministry Privatization Administration amounting TRY 550 have been included in Public shares. With that shares, the total shares amounting TRY 638.826 that held by the Privatization Administration is the 51,11% of the total shares.

⁽³⁾ According to Turkish Commercial Code, 3rd Sub-article added to Article 2 of the Law No: 6327 and 4603 dated 13 June 2012, The Privatization High Council public shares of the Parent Bank are controlled and represented by the Parent Bank’s Minister until the sales completion of these shares.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT PARENT THE BANK (continued)

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

Name	Title	Assignment date	Educational background	Experience in banking and business administration
Hasan 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 TAŞKESENLIOĞLU ^(***)	Member of the Board of Directors, Chief Executive Officer	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 ^(**)	Member of the Board of Directors	15.7.2011	METU Faculty of Economic and Administrative Sciences-International Relations Department.	21
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	28.3.2003	Doctor's Degree: Washington International University- Doctor of Philosophy in Business Administration. Master's Degree: Syracuse University Business School (MBA). Master's Degree: Manchester Uni. U.K. Technology (M.Sc). Bachelor Degree: METU – Faculty of Engineering - Mechanical Engineering.	31
Dr. Nurzahit KESKİN	Member of the Board of Directors	13.4.2005	Doctor's Degree: Sakarya Uni. Social Science Ins. Management and Organization. Master's Degree: Marmara Uni. Banking and Insurance Ins. – International Banking. Bachelor Degree: Anadolu Uni. Afyon; Faculty of Economic and Administrative Sciences-Finance.	23
Dr. Ahmet YARIZ	Member of the Board of Directors	9.4.2008	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department, 2005-At The Stage of Thesis. Master's Degree: Marmara University, Banking and Insurance Ins. - Banking Department. Bachelor Degree: Istanbul Uni. - Business Administration.	21
Sabahattin BİRDAL	Member of the Board of Directors	27.10.2010	Istanbul Uni. Faculty of Economics Business Administration-Finance	28
İsmail Erol İŞBİLEN	Member of the Board of Directors	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 DEMİRCİ	Executive Vice President	11.6.2008	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	24
Mustafa SAVAŞ	Executive Vice President	12.8.2002	Ankara Uni. Faculty of Political Science-Labor Economics and Industry Relations Department.	22
Erol GÖNCÜ	Executive Vice President	14.6.2005	METU Faculty of Arts and Sciences-Mathematics Department.	24
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.6.2005	Doctor's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Master's Degree: Marmara University, Banking and Insurance Ins.- Banking Department. Bachelor Degree: Dokuz Eylül Uni. Faculty of Economic and Administrative Sciences-Business Administration.	22
Selahattin SÜLEYMANOĞLU	Executive Vice President	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 DENİZCİ 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.

^(**)Süleyman Aslan, had been on duty both as member of Board of Directors and the Chief Executive Officer of the Parent Bank until 7 February 2014. As of this date he has continues on his duties as a member of Board of Directors of the Parent Bank. The Istanbul Chief Public Prosecutor's Office has included Mr. Süleyman ASLAN for the scope of judicial inquiry.

^(***)Ali Fuat Taşkesenlioğlu is assigned as a member of Board of Directors and Chief Executive Officer of Halkbank on 7 February 2014.

People mentioned above do not own any shares in the Parent Bank's capital.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

III. EXPLANATIONS REGARDING THE PARENT 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 PARENT BANK, IF ANY (continued)

- a) The professionals to the Parent Bank's top management who have assigned to their position in 2013 are listed with titles and dates of assignment.

Name	Title	Assignment Date
Süleyman KALKAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
İsmail Erol İŞBİLEN	Member of the Board of Directors	29 March 2013

- b) The professionals from the Parent Bank's top management who have left their position in 2013 are listed with titles and dates of leaving.

Name	Title	Assignment Date
Mehmet Emin ÖZCAN	Member of the Board of Directors and Vice Chairman of the Board	29 March 2013
Hikmet Aydın SİMİT	Member of the Board of Directors	29 March 2013
Ahmet KAHRAMAN	Member of the Board of Directors	29 December 2013

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of this amendment, the privatization period of the Parent Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended by the half of that "10 years" period by the Decree numbered 2010/964 and dated 6 November 2010.

c.1 When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated 29 November 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 was executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on 11 August 2006, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24.98% was completed in the first week of May 2007 and Halkbank shares were traded on Borsa İstanbul A.Ş. as of 10 May 2007 with the base price of TRY full 8,00. As per the decree of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

V. SUMMARY ON THE PARENT 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 Parent Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Scrip Company and more than 500 shareholders. Pamukbank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- e) The Parent Bank’s service activities and operating areas: The Parent Bank’s operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2013, the Parent Bank operates with a total of 877 branches consisting of 872 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic Branches include 38 satellite branches and 2 financial services branches. The Parent Bank has also 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka AD, Skopje

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ

is accounted by “equity method” in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ (“the Company”), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. The Company’s main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. The Company’s main operative target is, based on the Capital Markets Board’s (“CMB”) regulation regarding the investment properties, to invest in capital market instruments based on real estates, real estate projects and rights based on real estates.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION (continued)

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After the collecting the demand the Company's shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing"), was an associate of the Parent Bank with 47,75% of the shares and consolidated according to the equity method until 27 May 2011. The Group obtained the control of Halk Leasing by acquiring 52,24% of the shares and voting interests in the company as of 27 May 2011. As a result, the Group's equity interest in Halk Leasing has increased from 47,75% to 99,99%. Halk Leasing was established in September 1991 in Turkey and operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka AD Skopje, formerly Export and Credit Bank AD Skopje is a subsidiary of the Parent Bank. The Group obtained the control of Halk Banka AD, Skopje by acquiring 98,12% of the shares and voting interests of the company as of 8 April 2011 and 8 August 2011. Halk Banka AD Skopje has taken over Ziraat Banka AD Skopje which the is a Turkish capital bank that operates in Macedonia, through the merger as of 1 October 2012. As a result, the Group's equity interest in Halk Banka AD, Skopje has increased from 98,12% to 98,78%. Halk Banka AD, Skopje is operating in Republic of Macedonia. Its main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

Halk Faktoring AŞ("Halk Faktoring"), was a subsidiary of the Parent Bank with capital payments of amounting to TRY 19.000 and 95% of shares. After, it was registered to trade registry on 6 June 2012, establishment has been completed. Halk Faktoring's main line of business is to provide factoring services, that include legitimate commercial lending for all domestic and international trade operation.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. A.Ş, is not accounted in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standarts, Bileşim Alternatif Dağ. Kan. A.Ş is included in the scope of consolidation by-line by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation by line-by-line method.

TÜRKİYE HALK BANKASI AŞ
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SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS (continued)

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ which are qualified as investments in associates, are presented in the financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

There is no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements because the other banks’ shares are equal and thus, the Bank has no control.

VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediately transfer of the shareholder’s equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

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SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Income
- IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Statement of Profit Distribution Table

TÜRKİYE HALK BANKASI AŞ
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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), Communiqué on “Banks’ Accounting Practice and Maintaining Documents” and other communiqués and interpretations of Banking Regulation and Supervision Agency (“BRSA”) on accounting and financial reporting.

Accounting policies applied and valuation methods used in the preparation of the consolidated financial statements are expressed in detail below.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1. The Group’s strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Group can raise funds from foreign borrowing and money market borrowing.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2. The Group’s explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches’ income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries’ income and expenses are converted by average rate of the exchange of the current year.

TÜRKİYE HALK BANKASI AŞ
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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on “Preparation of Consolidated Financial Statements of Banks” and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

The Parent Bank’s subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka AD, Skopje and Halk Faktoring AŞ are included in the scope of consolidation.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank’s investment in each subsidiary and the Group’s portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group’s net income and the Group’s shareholders’ equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries’ financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

Demir-Halkbank NV (“Demir Halk Bank”) and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ, which are qualified as investments in associates, are presented in the accompanying financial statements based on the equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has a significant influence but no control, established at home and abroad.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

TÜRKİYE HALK BANKASI AŞ
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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES
(continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)

1. Basis of consolidation (continued):

b. Basis of consolidation of associates (continued):

Qualified share is the share that directly or indirectly constitute ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity method is an accounting method of associates by which book value of the associate is increased or decreased due to changes in the Parent Bank's share in the associates' equity and dividends received from associate is deducted from the share of Bank calculated as explained above.

Accounting principles used by Demir Halkbank NV and Kobi Girişim Sermayesi AŞ which is a consolidated associate by the equity method of accounting, has the same accounting principles of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group will apply IFRS 3 Business Combinations (2008) in accounting for business combinations. Business Combinations that occurred before 1 January 2010 had not been restated and the accounting policies applicable to those acquisitions are set out below. The new accounting policy in respect of business combinations is as follows.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES(continued)

III. INFORMATION ABOUT THE ASSOCIATES AND SUBSIDIARIES SUBJECT TO CONSOLIDATION (continued)

1. Basis of consolidation (continued):
- d. Principles applied during share transfer, merger and acquisition (continued):

Accounting for business combinations (continued)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquirer's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquirer's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisitions.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, forwards and credit default swaps. The Group has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded at fair value as of the contract date and valued at fair value in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 “Financial Instruments: Recognition and Measurement” (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with statement of income.

V. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”.

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. FEES AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm’s length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS (continued)

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

a. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of held for trading financial assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using interest income/expense accounts under profit/loss from the capital market operations.

b. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Group has not any financial assets at fair value through profit and loss as of 31 December 2013 and 31 December 2012.

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VII. 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 the bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and “Amortized Value” is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and amended with the regulation published in the Official Gazette No: 28418 dated last 21 September 2012 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Parent Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions (“Communiqué”)” published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not limit the provision amount for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting 100% provision for the outstanding follow-up risk amount excluding the surety ship type of collaterals defined in the Article 9 of the related legislation. Unindemnified non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets 100% provision for the outstanding follow-up risk amount, that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the capital and interest collections are recognized under the “Interest Received from Non-performing Loans” item of the income statement.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Other than specific allowances, the Bank provides “general allowances” for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The Bank is providing 1% general allowance for cash loans and other receivables; 0.2% general allowances for non-cash loans. In accordance with the communiqué “The change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 28 May 2011 No: 27947 Official Gazette, banks are able to change the terms of the payment plans of their loans and other receivables monitored under standard and other receivables group given that those loans and receivables qualify for the prerequisites. However, if the changes made extend the initial payment plan, a general provision allocated accordingly with the related loans and other receivables given that it is no less than the 5 times of the predetermined ratio and for loans and other receivables followed under close monitoring provision cannot fall below 2,5 times of the designated ratio.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 18 June 2011 No: 27968 Official Gazette, the Parent Bank applies general provision ratios as 4% for all consumer loans in first group and 8% for all consumer loans in second group respectively except for real estate and automobile loans in both groups.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 21 September 2012 No: 28418 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for cash loans, close monitoring loans, letters of guarantees, bill guarantees and sureties and other non-cash loans with the rates stated in the first paragraph of Article 7 of the Communiqué until 31 December 2015.

In accordance with the communiqué “The Change in the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published on 8 October 2013 No: 28789 Official Gazette, as of the recent month end prior to the effective date of the Communiqué, the Bank will provide the differences in general allowances for all consumer loans except for real estate loans in both groups with the rates stated in the second paragraph of Article 7 of the Communiqué until 31 December 2015.

IX. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under “Available for Sale Financial Assets” or “Held to Maturity Investments” in the Group’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds from Repurchase Transactions” account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the “Receivables from Reverse Repo Transactions” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss. Leasehold improvements are depreciated over the lease period by straight line method.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT (continued)

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4-50%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are kind of property which is held by the Group to earn rent.

These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment properties.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

In the cases of the Group is renter, at the beginning of the lease operation the value of assets held under financial leases are recognized as financial lease receivables in the balance sheet. Interest income obtained by the difference between total financial lease receivables and investment value of assets held under financial leases is recorded in the income statement by distributing the receivables in the related accounting period with the constant interest rate. The interest income which is not accrued in the related period, is recognized in the account of unaccrued interest income.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is obtained subsequent the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims, life-mathematical provisions and equalization provisions.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.

Claim provision is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on actuarial bases.

Equalization provision is recognized in order to balance the fluctuations in the claim ratios.

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 revised.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

In conformity with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. Any deficiency, if there is, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reinstated.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of the Group’s management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Cabinet decision dated. 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years. According to the decree of Council of Ministers dated 3 May 2013 and numbered 3, which was published on the Gazette on 8 April 2013, the related transfer period was prolonged one more year.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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.

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year. Accrued advance tax as of 31 December 2012 has been paid in April 2013, accrued advance tax as of 31 December 2013 has been paid in February 2014.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches and financial institution operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is are higher than the corporate tax payable, the difference is deducted from income tax payable.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices in the countries that foreign branches and financial institution operate: (continued)

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

Tax practices for the subsidiaries which are subject to consolidation

Halk Gayrimenkul Yatırım Ortaklığı AŞ

The Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ, is established in the 2010. Income derived from the operations related with the investment properties is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also used for the accrued advanced tax terms.

Halk Banka AD Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka AD, Skopje is subject to tax regulations in the Republic of Macedonia. A new tax regime had become effective according which the base for income tax computation had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of International Accounting Standards - Tax on Income ("IAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlining dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provisions are required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the Statement of comprehensive income after profit and loss before tax as income tax expense.

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the Statement of changes in equity.

(ii) Tax on non deductible items:

Tax on non deductible items is not income tax and is out of scope of IAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices for the subsidiaries which are subject to consolidation (continued)

Halk Banka AD Skopje (continued)

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with International Accounting Standards – Provisions, Contingent Liabilities and Contingent Assets adopted in the Republic of Macedonia (“IAS 37”).

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments. Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XXII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuances related to costs are accounted under shareholders’ equity. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decree of the Privatization High Council dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Parent Bank shares were registered to the Board with the decree of the Capital Markets Board dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa 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.

Halk GYO has applied to CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TRY 185.500 notional amount which is increased from TRY 477.000 issued capital of the Halk GYO to TRY 662.500 within TRY 1.500.000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB’s numbered 4/97 on 8 February 2013. As at 15 February 2013 there has been an initial public offering of B group shares of TRY 185.000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company’s shares started to be traded on Borsa İstanbul AŞ at 22 February 2013.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The report concerning parts of Group's business segmentation and related information is explained in section four, disclosure numbered XII.

XXVI. EXPLANATION ON OTHER MATTERS

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

The capital adequacy ratio calculations are made in accordance with the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” published in Official Gazette No 28337 of 28 June 2012. The consolidated basis capital adequacy ratio of the Group is 13,31% as of 31 December 2013. (31 December 2012: 15,32%)

In the calculation process of credit risk, asset types, ratings and credit risk mitigators are taken into account. While simple approach is taken into account for banking book items, the Group uses comprehensive approach for trading book items in the credit mitigation process.

In the calculation process of capital adequacy ratio, the data which are compatible with current regulations are used. Furthermore, the market and operational risk are also taken into account within the framework of regulations.

The items which are deducted from shareholders’ equity are not considered in the calculation of risk weighted assets (RWAs). Depleted and amortized assets are taken into consideration by net amounts which are calculated by the deduction of depreciation cost and provisions.

The amount subject to credit risk for non cash loans are considered by using the conversion rates which are defined in the 5th article of “Regulation On Measurement And Evaluation Of Capital Adequacy Of Banks”. Besides, the provisions which are defined in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Be Set Aside” and taken place at the liability side of the balance sheet are also taken into consideration.

In the calculation of counterparty credit risk arising from trading account, the current exposure method is use.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

1. Information on the consolidated capital adequacy ratio:

Current Period	The Parent Bank										Risk Weight								Consolidated											
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300
Surplus credit risk weighted	-	-	769.511	12.410.776	18.463.130	42.695.656	2.831.976	16.252.590	55.233	-	-	-	792.814	12.487.852	18.849.767	42.968.682	2.888.553	16.514.052	55.233	-	-	-	792.814	12.487.852	18.849.767	42.968.682	2.888.553	16.514.052	55.233	-
Risk classifications:																														
Claims on sovereigns and Central Banks	37.852.013	-	3.019	2.962.044	-	-	-	-	-	37.980.502	-	3.019	2.962.044	-	45.608	-	-	-	-	-	37.980.502	-	3.019	2.962.044	-	45.608	-	-	-	-
Claims on regional governments or local authorities	12.789	-	146.101	-	-	-	-	-	-	12.789	-	146.101	-	-	-	-	-	-	-	-	12.789	-	146.101	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	5.994	-	90.171	-	-	198.700	-	-	-	5.994	-	90.171	-	198.700	-	-	-	-	-	-	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	-	-	-	484.712	-	2.963.742	1.274.584	-	1.927	-	-	-	-	-	905.334	-	2.847.484	1.249.649	-	77.716	-	-	-	-
Claims on corporates	352.281	-	196.735	116.148	-	38.105.789	-	-	-	334.475	-	196.992	116.166	-	40.159.921	-	-	-	-	-	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	-	-	-	1.360.345	-	121.908	-	24.863.632	586.462	-	-	-	-	-	1.360.345	-	121.908	-	24.348.943	581.744	-	-	-	-
Claims secured by residential property	24.109	-	5.046	20.362.629	-	-	-	-	-	24.109	-	5.046	20.491.827	-	-	-	-	-	-	-	24.109	-	5.046	20.362.629	-	-	-	-	-	-
Overdue loans	-	-	-	131.082	-	303.767	-	-	-	-	-	-	131.082	-	423.294	-	-	-	-	-	-	-	-	131.082	-	303.767	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.887.984	8.126.295	22.093	-	-	-	-	-	-	1.925.702	8.257.026	33.937	-	-	-	-	-	-	-	-	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	-	-	-	2.865.474	-	437.091	-	269.391	1.552.770	-	-	-	-	-	2.831.355	-	437.091	-	268.563	3.427.940	-	-	-	-
Prior Period	The Parent Bank										Risk Weight								Consolidated											
	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300	%0	%10	%20	%50	%75	%100	%150	%200	%250	%300
Surplus credit risk weighted	-	-	1.125.474	9.781.931	16.207.062	30.907.354	1.853.915	10.130.710	-	-	-	-	1.125.613	9.800.455	16.396.250	31.069.818	1.853.915	10.130.710	-	-	-	-	1.125.613	9.800.455	16.396.250	31.069.818	1.853.915	10.130.710	-	-
Risk classifications:																														
Claims on sovereigns and Central Banks	24.075.410	-	787	2.685.080	-	-	-	-	-	24.262.986	-	787	2.685.080	-	21.438	-	-	-	-	-	24.075.410	-	787	2.685.080	-	-	-	-	-	-
Claims on regional governments or local authorities	4.968	-	310.528	-	-	-	-	-	-	4.968	-	310.528	-	-	-	-	-	-	-	-	4.968	-	310.528	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	651	-	41.194	-	-	58.646	-	-	-	651	-	41.194	-	58.646	-	-	-	-	-	-	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	-	-	-	348.498	-	4.483.663	893.083	-	89.226	-	-	-	-	-	636.524	-	4.482.971	891.073	-	46.804	-	-	-	-
Claims on corporates	385.981	-	156.806	-	-	27.422.636	-	-	-	298.187	-	156.807	-	28.643.620	-	-	-	-	-	-	385.981	-	156.806	-	-	27.422.636	-	-	-	-
Claims included in the regulatory retail portfolios	1.174.808	-	131.417	-	21.174.404	-	-	-	-	1.174.808	-	131.417	-	21.404.829	-	-	-	-	-	-	1.174.808	-	131.417	-	21.174.404	-	-	-	-	-
Claims secured by residential property	25.367	-	2.649	15.845.450	-	-	-	-	-	25.367	-	2.649	15.880.488	-	-	-	-	-	-	-	25.367	-	2.649	15.845.450	-	-	-	-	-	-
Overdue loans	-	-	-	119.461	-	223.547	-	-	-	-	-	-	119.461	-	281.581	-	-	-	-	-	-	-	-	119.461	-	223.547	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.235.943	5.065.355	-	-	-	-	-	-	-	1.235.943	5.065.355	-	-	-	-	-	-	-	-	-	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	-	-	-	2.721.883	-	501.019	22.798	456.837	1.975.307	-	-	-	-	-	2.713.731	-	501.019	22.798	435.012	3.155.721	-	-	-	-

(1) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the 100% risk weighted of overdue loans above. (31 December 2012: TRY 55.999)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

2. Consolidated Capital adequacy ratio summary:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	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	7.566.925	5.630.141
B Capital to be employed for market risk (II)	243.150	133.905	248.356	134.452
C Capital to be employed for operational risk (III)	712.998	601.101	748.688	623.637
Shareholders' equity	14.663.982	12.808.583	14.246.513	12.235.539
Shareholders' equity / (I+II+III) * 12,5*100	13,91	16,17	13,31	15,32

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

3. Information on equity items:

	The Parent Bank		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in capital	1.250.000	1.250.000	1.250.000	1.250.000
<i>Nominal capital</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>	<i>1.250.000</i>
<i>Capital commitments (-)</i>	-	-	-	-
Adjustment to paid-in capital	1.220.451	1.220.451	1.220.451	1.220.451
Share premium	-	-	39.009	-
Share repeal	-	-	-	-
Legal reserves	8.104.012	6.052.800	8.063.847	5.939.622
Adjustment to legal reserves	-	-	-	-
Profit	2.750.843	2.595.211	2.917.247	2.678.327
<i>Net current period profit</i>	<i>2.750.843</i>	<i>2.595.211</i>	<i>2.842.698</i>	<i>2.642.347</i>
<i>Prior period profit</i>	-	-	74.549	35.980
Provisions for possible losses up to 25% of core capital	132.231	328.300	132.231	328.300
Profit on sale of associates, subsidiaries and buildings	-	-	-	-
Primary subordinated loans	-	-	-	-
Minority shares	-	-	162.947	4.762
Loss that is not covered with reserves (-)	-	-	-	-
<i>Net current period loss</i>	-	-	-	-
<i>Prior period loss</i>	-	-	-	-
Development cost of operating lease (-)	69.633	78.860	71.033	80.513
Intangible assets (-)	45.147	37.285	67.039	56.007
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-	-	-
Goodwill (Net) (-)	-	-	-	-
Total Core Capital	13.342.757	11.330.617	13.647.660	11.284.942
SUPPLEMENTARY CAPITAL				
General reserves	1.134.717	972.148	1.142.413	976.215
45% of increase in revaluation fund of movables	-	-	-	-
45% of increase in revaluation fund of fixed assets	-	-	-	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	6.917	4.969	2.183	231
Primary subordinated loans which are ignored in the calculation of core capital	-	-	-	-
Secondary subordinated loans	-	-	-	-
45% of value increase fund of financial assets available for sale and associates and subsidiaries	210.732	539.786	(293.870)	183.088
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-	-	-	-
Minority shares	-	-	-	-
Total Supplementary Capital	1.352.366	1.516.903	850.726	1.159.534
CAPITAL	14.695.123	12.847.520	14.498.386	12.444.476
DEDUCTIONS FROM THE CAPITAL	31.141	38.937	251.873	208.937
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	-	-	-	-
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debt and debt instruments purchased from such parties qualified as primary or secondary subordinated debt	-	-	-	-
Shareholdings in the banks and financial institutions which are accounted for under the equity pick up method but the assets and liabilities are not consolidated	-	-	220.732	170.000
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-	-	-
The net book value of properties exceeding 50% of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	29.717	36.311	29.717	36.311
Securitization Positions to be Deducted from Equity	-	-	-	-
Other	1.424	2.626	1.424	2.626
TOTAL SHAREHOLDERS' EQUITY	14.663.982	12.808.583	14.246.513	12.235.539

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

4. Information on assessment process of internal capital adequacy requirements:

The Parent Bank uses economic capital model in the process of internal capital adequacy assessment process. Calculations are done by considering the confidence interval which corresponds to the rating targeted by the Parent Bank. In the analyses, credit risk, market risk, operational risk and asset - liability management risks and correlation effect are taken into account, correlation effect is considered while risks are consolidated. The Parent Bank takes one year period into account in its calculations.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

In accordance with the Group's risk management policies, the limits are specified in respect of main and sub-sectors. That limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Parent Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the Parent Bank's Credit Committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

As of 31 December 2013, the receivables of the Group from its top 100 and 200 cash loan customers are respectively 20,17% and 24,91% of its total cash loans.

As of 31 December 2013, receivables of the Group from its top 100 and 200 non-cash loan customers are respectively 54,28% and 64,15% of its total non-cash loans.

As of 31 December 2013, share of cash and non-cash receivables of the Bank from its top 100 and 200 customers are respectively 15,88% and 19,88% of its total balance sheet and off-balance sheet assets.

As of 31 December 2013, general loan loss provision related to the credit risk incurred by the Group in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 1.142.413 (31 December 2012: TRY 976.215).

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

Risk Classifications:	Current Period		Prior Period	
	Risk Amount ^(*)	Average Risk Amount ^(**)	Risk Amount ^(*)	Average Risk Amount ^(**)
Claims on sovereigns and Central Banks	40.991.173	32.572.898	26.970.291	26.380.463
Claims on regional governments or local authorities	158.890	243.383	315.496	316.454
Claims on administrative bodies and other non-commercial undertakings	294.865	221.166	100.491	106.290
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.724.965	4.759.379	5.814.470	4.972.610
Claims on corporates	40.807.554	35.357.656	29.098.614	28.941.880
Claims included in the regulatory retail portfolios	26.932.347	25.324.597	22.711.054	22.319.741
Claims secured by residential property	20.520.982	18.566.015	15.908.504	15.595.834
Overdue loans	554.376	485.390	401.042	364.345
Higher risk categories decided by the Board	10.216.665	9.164.988	6.301.298	5.912.692
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	5.124.726	5.348.634	5.677.844	5.266.217

(*) Includes the risk amounts after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts after credit conversions in January- December period.

(***) Average risk amounts are the arithmetical average of the amounts after credit conversions in July- December period.

(****) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included overdue loans above. (31 December 2012: TRY 55.999)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED 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 banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans ^(*)	Higher risk categories decided by the Board	Other receivables	Total
Current Period											
1. Domestic	40.868.870	158.890	294.865	2.448.493	40.337.395	26.868.369	20.415.390	552.545	10.036.372	5.114.567	147.095.756
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	122.303	-	-	52.488	379.645	63.685	104.618	1.831	180.293	10.159	915.022
7. Investment and associates, subsidiaries and joint ventures	-	-	-	990.076	-	-	-	-	-	-	990.076
8. Undistributed Assets/Liabilities ^(****)	-	-	-	-	-	-	-	-	-	-	-
9. Total	40.991.173	158.890	294.865	4.724.965	40.807.554	26.932.347	20.520.982	554.376	10.216.665	5.124.726	150.326.543

	Risk Classifications ^(**)										
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans ^(*)	Higher risk categories decided by the Board	Other receivables	Total
Prior Period											
1. Domestic	26.796.345	315.496	100.491	3.219.309	28.567.199	22.500.527	15.895.062	399.007	6.301.298	5.677.711	109.772.445
2. EU Countries ^(***)	-	-	-	525.275	75.245	-	-	-	-	-	600.520
3. OECD Countries	-	-	-	1.504.130	9.416	77	-	-	-	-	1.513.623
4. Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	364.053	-	-	-	-	-	-	364.053
6. Other Countries	173.946	-	-	201.659	445.435	210.450	13.442	2.035	-	133	1.047.100
7. Investment and associates, subsidiaries and joint ventures	-	-	-	44	1.319	-	-	-	-	-	1.363
8. Undistributed Assets/Liabilities ^(****)	-	-	-	-	-	-	-	-	-	-	-
9. Total	26.970.291	315.496	100.491	5.814.470	29.098.614	22.711.054	15.908.504	401.042	6.301.298	5.677.844	113.299.104

^(*)As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above. (31 December 2012: TRY 55.999)

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

^(***)OECD Countries other than the EU Countries, USA and Canada.

^(****)Includes loan classified under Uniform Accounting Standards –loans except in the first 3 columns-and compliant with Article 48 of the Banking Law.

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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

Risk Profile according to sectors:

Current Period	Risk Classifications ^(**)												
	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables	TC	FC	Total
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	4.724.965	12.346.901	12.740.959	7.207.467	173.729	-	2.100.847	47.813.477	30.587.189	78.400.666
<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	-	-	4.724.965	552.020	18.305	160.474	539	-	1.934.118	25.391.117	20.844.588	46.235.705
<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>	0	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	2.124.957	69.773	59.592	-	8.025.027	9.082.631	5.306.223	123.168	10.216.665	2.610.144	34.681.396	2.936.784	37.618.180
Total	40.991.173	158.890	294.865	4.724.965	40.807.554	26.932.347	20.520.982	554.376	10.216.665	5.124.726	98.453.627	51.872.916	150.326.543

^(*) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above.

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

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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

	Risk Classifications ^(*)												
	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 banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Overdue loans	Higher risk categories decided by the Board	Other receivables	TC	FC
Agricultural	13	35	268	-	97.907	401.163	80.752	23.757	-	46.612	599.361	51.146	650.507
<i>Farming and raising livestock</i>	13	35	268	-	81.881	379.861	80.733	23.559	-	46.533	577.893	34.990	612.883
<i>Forestry</i>	-	-	-	-	262	3.277	12	184	-	79	3.814	0	3.814
<i>Fishing</i>	-	-	-	-	15.764	18.025	7	14	-	0	17.654	16.156	33.810
Manufacturing	-	172	63.114	-	14.670.887	3.674.624	4.073.424	121.683	-	120.669	10.602.106	12.122.467	22.724.573
<i>Mining</i>	-	56	38.433	-	228.058	115.416	51.836	2.167	-	0	232.149	203.817	435.966
<i>Production</i>	-	116	19.005	-	13.360.181	3.528.279	3.817.344	119.461	-	120.669	9.947.600	11.017.455	20.965.055
<i>Electric, gas and water</i>	-	-	5.676	-	1.082.648	30.929	204.244	55	-	0	422.357	901.195	1.323.552
Construction	-	41	-	-	2.577.633	731.942	707.721	25.593	-	331.503	2.927.909	1.446.524	4.374.433
Services	25.546.703	116.191	34.319	5.814.470	10.011.161	9.587.890	4.285.734	133.284	-	302.042	33.761.303	22.070.491	55.831.794
<i>Wholesale and retail trade</i>	-	226	16.000	-	4.561.850	5.314.148	2.984.131	94.898	-	5.192	10.677.098	2.299.347	12.976.445
<i>Hotel, food and beverage services</i>	-	10	-	-	1.105.723	348.035	249.577	4.086	-	91	633.628	1.073.894	1.707.522
<i>Transportation and telecommunication</i>	-	-	201	-	530.393	2.145.511	481.273	10.975	-	600	2.649.348	519.605	3.168.953
<i>Financial institutions</i>	25.538.389	-	-	5.814.470	454.584	35.597	35	403	-	87.649	16.611.691	15.319.436	31.931.127
<i>Real estate and renting services</i>	252	114.257	16.641	-	2.788.136	1.277.556	387.828	4.338	-	202.235	2.373.821	2.417.422	4.791.243
<i>Self-employment services</i>	-	6	-	-	5.867	297.526	54.683	1.229	-	6.195	365.299	207	365.506
<i>Education services</i>	254	2	1.391	-	105.936	54.776	26.214	242	-	3	158.754	30.064	188.818
<i>Health and social services</i>	7.808	1.690	86	-	458.672	114.741	101.993	17.113	-	77	291.664	410.516	702.180
Other	1.423.575	199.057	2.790	-	1.741.026	8.315.435	6.760.873	96.725	6.301.298	4.877.018	26.831.548	2.886.249	29.717.797
Total	26.970.291	315.496	100.491	5.814.470	29.098.614	22.711.054	15.908.504	401.042	6.301.298	5.677.844	74.722.227	38.576.877	113.299.104

(*) As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the overdue loans above.

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

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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

Distribution of maturity risk factors according to their outstanding maturities:

Current Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	8.952.583	7.681.052	4.140.188	5.073.100	15.144.250
2.Claims on regional governments or local authorities	11.722	4.760	13.769	49.373	79.266
3.Claims on administrative bodies and other non-commercial undertakings	79.123	82.071	14.075	24.350	95.246
4.Claims on banks and intermediary institutions	2.597.652	327.050	335.173	326.302	403.872
5.Claims on corporate	13.576.114	2.437.572	4.713.025	6.344.340	23.773.154
6.Claims included in the regulatory retail portfolios	1.564.452	1.983.345	3.758.355	5.289.306	31.533.086
7. Overdue loans ^(**)	554.376	-	-	-	-
8. Other receivables	3.620.843	272.734	133.439	488.525	609.185
Total	30.956.865	12.788.584	13.108.024	17.595.296	71.638.059

^(*) Commitments amounting TRY 4.239.715 are not included in the table above.

^(**) As of 31 December 2013, overdue finance lease receivables amounting to TRY 117.696 is included in the overdue loans above.

^(***) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

Prior Period Risk Classifications	According to outstanding maturities				
	1 month	1-3 month	3-6 month	6-12 month	1 year and over
1.Claims on sovereigns and Central Banks	4.257.338	5.375.373	2.096.707	3.434.728	11.754.126
2.Claims on regional governments or local authorities	4.823	4.074	1.671	79.163	224.732
3.Claims on administrative bodies and other non-commercial undertakings	66.792	3.875	14.794	7.239	7.791
4.Claims on banks and intermediary institutions	4.339.337	343.394	96.822	107.896	255.036
5.Claims on corporate	6.198.322	2.226.029	2.915.786	4.181.982	16.436.713
6.Claims included in the regulatory retail portfolios	2.682.425	1.907.803	2.616.879	4.844.321	27.362.337
7. Overdue loans ^(**)	401.042	-	-	-	-
8. Other receivables	4.207.864	172.390	142.782	495.728	659.080
Total	22.157.943	10.032.938	7.885.441	13.151.057	56.699.815

^(*) Commitments amounting TRY 3.371.910 are not included in the table above.

^(**) As of 31 December 2012, overdue finance lease receivables amounting to TRY 55.999 is included in the overdue loans above.

^(***) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

^(****) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporates and claims included in the regulatory retail portfolios.

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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II. EXPLANATIONS RELATED TO THE CONSOLIDATED 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	---

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	41.258.345	-	3.486.593	4.119.279	42.694.294	48.551.367	1.925.702	8.257.026	33.937	389.945
2. Amount after Credit Risk Mitigation	43.068.400	-	3.964.070	24.975.703	25.133.023	42.968.682	1.925.702	8.257.026	33.937	389.945

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	Reductions from the shareholders' equity
1. Pre-Amount of Credit Risk Mitigation	27.123.892	-	5.341.348	3.807.964	35.852.634	34.871.968	1.235.943	5.065.355	345.457
2. Amount after Credit Risk Mitigation	28.837.348	-	5.628.064	19.600.910	21.861.666	31.069.818	1.235.943	5.065.355	345.457

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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

Risk balances according to risk weights:

Information according to sectors and counterparties:

Current Period	Loans			
	Sectors / Counterparties	Non-performing loans ^(*)	Overdue ^(**)	Value Adjustments
Agricultural	98.679	11.206	440	76.845
<i>Farming and raising livestock</i>	91.012	9.975	377	69.276
<i>Forestry</i>	636	69	4	554
<i>Fishing</i>	7.031	1.162	59	7.015
Manufacturing	752.896	1.019.463	56.987	553.042
<i>Mining</i>	10.515	4.391	5.520	8.126
<i>Production</i>	741.278	1.014.818	50.752	543.959
<i>Electric, gas and water</i>	1.103	254	715	957
Construction	167.844	155.956	3.387	118.896
Services	749.139	298.880	18.714	584.928
<i>Wholesale and retail trade</i>	523.705	191.348	7.587	411.641
<i>Hotel, food and beverage services</i>	111.390	18.855	536	86.822
<i>Transportation and telecommunication</i>	44.109	31.644	1.222	33.046
<i>Financial institutions</i>	10.448	1.733	48	9.910
<i>Real estate and renting services</i>	31.091	7.929	7.379	24.697
<i>Self-employment services</i>	6.358	5.681	172	4.886
<i>Education services</i>	1.834	1.910	63	1.573
<i>Health and social services</i>	20.204	39.780	1.707	12.353
Other	495.650	249.025	11.383	493.817
Total	2.264.208	1.734.530	90.911	1.827.528

(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Sectors / Counterparties	Loans			
	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	398.737	251.448	7.758	358.011
Total	1.974.073	846.333	65.804	1.629.030

(*) Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

(**) Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

Information about value adjustments and changes in the loan impairment:

Current Period	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.629.030	440.833	242.335	-	1.827.528
2. General Provisions	976.215	325.238	159.040	-	1.142.413

Prior Period	The opening balance	Provision amounts set aside during the period	The cancelation of the provisions	Other adjustments	Close out balance
1. Specific Provisions	1.411.113	385.824	167.907	-	1.629.030
2. General Provisions	659.914	316.301	-	-	976.215

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	20.021.395	12.517.078
Due from banks	1.908.775	2.588.437
Money Market Receivables	230.684	162.534
Financial Assets at Fair Value through profit or loss	183.035	148.312
Financial Assets Available for Sale	9.811.340	9.639.638
Held to maturity Investments	18.973.598	13.643.091
Loans	84.968.927	65.919.241
Finance Lease Receivables (Net)	1.693.756	1.074.217
Factoring Receivables	325.332	463
Total	138.116.842	105.693.011
Contingent Liabilities	27.120.429	19.758.865
Commitments	19.528.802	14.431.600
Total	46.649.231	34.190.465
Total Credit Risk Exposure	184.766.073	139.883.476

Over due and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

II. EXPLANATIONS RELATED TO THE CONSOLIDATED 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 Parent 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 it's a credible firm in the short run.	59 - 53
2,41 - 2,60	B	Some of the financial and non financial criteria are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjecture.	52 - 47
2,61 - 2,80	CCC	The major part of its financial and non financial criteria is negative and the firm is having difficulties in meetings its commitments. But it has guaranteed short run credibility dependent on the positive conjecture.	46 - 40
2,81 - 3,20	CC	The firm force acceptable risk limits when it's financial and non financial criteria considered together, and have poor credibility.	39 - 27
3,21 - 3,60	C	The firm has no credibility when its financial and non financial criteria considered together	26 - 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 - 0

Entrepreneur Loans Decision Module ("GKKM") is the rating module which is used for assessment of loan applications of companies which are classified by the Parent Bank as a small and medium sized enterprises (SME) Customers within the SME in GKKM are evaluated by both qualitative and quantitative characteristics of firm, the size of endorsement and requested amount of loan before bank creates score card forms for each customers Score card which categorize firms according to their risk, includes 1 to 7 rating group and 1 has the lowest risk. Guarantees for companies that can be assessed by GKKM, converted into cash during the time it takes to prevent probable loss of value and the conversion process is divided into two main groups according to the criteria. The conversion of cash collateral to compensate for any losses in a margin, "Liquid Collateral Value" is referred to as the facility where the customer the amount of collateral to be determined by risk group, and the collateral value of the liquid.

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

	Current Period	Prior Period
Loans ^{(1), (2)}		
Corporate Loans	59.642	37.964
SME Loans	15.116	26.712
Consumer Loans	12.545	16.098
Other	64	152
Total	87.367	80.926

(1) Accruals are not included to the table above.

(2) Presents loans accounted under in restructured or rescheduled loan accounts.

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II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK (continued)

The net value and type of collaterals of the loans amounting TRY 2.304.659 followed under loans and other receivables under close monitoring section is below: (31 December 2012 : TRY 1.924.813).

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	1.817.757	1.519.823
Salary pledge, vehicle pledge and pledge of commercial undertaking	72.262	75.401
Financial collaterals (cash, securities pledge, etc.)	14.588	14.047
Cheque /bills	26.817	11.204
Suretyship	237.474	188.735
Other	135.761	115.603
Total	2.304.659	1.924.813

(1)The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2)Income accruals amounting to TRY 27.906 (31 December 2012: TRY 22.521) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 2.264.208 followed under non performing loans section is below: (31 December 2012: TRY 1.974.073)

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	1.887	1.845
Mortgage	522.565	511.841
Pledge	48.963	37.805
Cheque,bills	5.044	4.899
Suretyship	1.156.880	1.000.072
Other ⁽²⁾	528.869	417.611
Total	2.264.208	1.974.073

(1) The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered in the table above.

(2) Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

In accordance with the Group's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 28337 of 28 June 2012 by.

The Parent Bank's Board of Directors set the risk limits by taking into account the Group's main risk factors and these limits are periodically revised in accordance with the market conditions and the Group's strategies. Furthermore, the Board of Directors ensure that, the necessary measures to be taken by risk management department and all other executives in respect of defining, measuring, monitoring and managing the risks exposed by the Group. The VAR based limits that are determined by the Board of Directors and the denominated interest rate risk of the Group's is limited to certain percentage of the shareholders' equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Group's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The Value at Risk (VaR) that is calculated by using internal model methods besides standard method is validated by scenario analysis and stress tests. The VaR is calculated daily by using historical simulation and parametric approach and the results are reported the Executives.

a) Information related to consolidated market risk:

	Current Period	Prior Period
(I) Capital requirement to be employed for general market risk	179.534	92.002
(II) Capital requirement to be employed for specific risk	29.441	17.037
(III) Capital requirement to be employed for specific risk in securitization positions-Standard Method	-	-
(IV)Capital requirement to be employed for currency risk	34.091	23.185
(V)Capital requirement to be employed for commodity risk	-	-
(VI)Capital requirement to be employed for clearing risk	-	-
(VII)Total capital requirement to be employed for counterparty credit risk-Standard method	96	264
(VIII)Capital requirement to be employed for general market risk.	5.194	1.964
(IX) Total capital requirement to be employed for market risk	-	-
(X) Amount subject to market risk (I+II+III+IV+V+VI+VII+VIII)	248.356	134.452
(XI) Market Value at Risk (12,5 x IX) or (12,5 x X)	3.104.450	1.680.650

b) The Group's average market risk calculated as of the end of months in the related period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	208.836	255.811	173.270	135.091	220.685	89.537
Share Risk	5.880	12.970	718	4.468	6.506	2.966
Currency Risk	28.690	34.091	21.455	22.079	30.026	16.833
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Options Risk	520	1.313	96	182	264	91
Counterparty Credit Risk	3.176	5.194	2.093	2.190	2.415	1.964
Amount Subject to Total Risk	247.102	309.379	197.632	164.010	259.896	111.391

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

Information about counterparty risk:

Counterparty credit risk is the risk that the counterparty to a transaction could default before the transaction's cash flows.

Over the counter derivatives, Credit Derivatives, Securities Financing Transactions, Long Settlement Transactions, Margin Lending Transactions are subject to counterparty credit risk calculations.

The Group uses current exposure method in the calculation process of counterparty credit risk. The comprehensive financial collateral and simple financial collateral approaches are taken into account in the calculation process of counterparty credit risk of repo style transactions for trading and banking book activities, respectively.

Under the current exposure method, the Group calculates the current replacement cost by marking contracts to market, thus capturing the current exposure without any need for estimation, and then adding a factor ("add on") to reflect the potential future exposure over the remaining life of the contract.

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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III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK (continued)

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

	Amount*
Contracts based on Interest rate	5.065
Contracts based on currency	81.265
Contracts based on commodity	-
Contracts based on stocks	-
Other	-
Gross Positive Fair Value	86.330
Benefits of clarification	-
Clarified current risk amount	-
The securities which are held	-
The net position of derivatives	86.330

(*) Counterparty risk related to the trading accounts is included.

IV. EXPLANATIONS RELATED TO THE OPERATIONAL RISK

In the calculation of the Group's operational risk, the "Basic Indicator Method" is used. The amount subject to operational risk is calculated once a year in accordance with the Regulation on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012. In the Basic Indicator Method, the amount subject to operational risk is calculated by multiplying 15% of the Group's average gross revenue over the previous three years with 12,5. Amount subject to operational risk is TRY 9.358.597 for the current period. (31 December 2012: TRY 7.795.467)

	2 PP Value	1 PP Value	CD Value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	3.928.378	4.784.490	6.260.887	4.991.252	15	748.688
Amount subject to operational risk (Total*12,5)						9.358.597

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with “Regulation On Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at 31 December 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 Parent Bank for the thirty days before 31 December 2012 are as follows:

	Monthly average
USD	2,0445455
CHF	2,2849682
GBP	3,3438909
JPY	0,0197195
EURO	2,8021545

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK
(continued)

Information related to the consolidated currency risk:

Current Period	EURO	USD	OTER 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	7.918.701	6.958.578	2.342.994	17.220.273
Banks	1.277.078	340.063	128.985	1.746.126
Financial assets at fair value through profit and loss ⁽³⁾	19.823	22.696	1.284	43.803
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	746.588	1.348.502	49.140	2.144.230
Loans ⁽²⁾	9.391.766	16.095.274	399.570	25.886.610
Subsidiaries, associates and entities under common control ⁽⁵⁾	206.348	-	-	206.348
Held-to-maturity investments	-	1.066.707	76.695	1.143.402
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	37.297	37.297
Intangible assets	-	-	-	-
Other assets ⁽³⁾	848.165	725.909	46.284	1.620.358
Total assets	20.408.469	26.557.729	3.082.249	50.048.447
Liabilities				
Bank deposits	3.503.895	2.080.889	424.303	6.009.087
Foreign currency deposits	16.901.740	10.554.741	2.541.049	29.997.530
Money market balances	-	-	-	-
Funds provided from other financial institutions	6.345.918	7.558.067	37.244	13.941.229
Bonds issued	-	3.218.387	-	3.218.387
Sundry creditors	65.796	55.159	77	121.032
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	105.364	240.737	28.234	374.335
Total liabilities	26.922.713	23.707.980	3.030.907	53.661.600
Net balance sheet position	(6.514.244)	2.849.749	51.342	(3.613.153)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	7.538.178	1.528.531	521.062	9.587.771
Financial derivative liabilities ⁽⁴⁾	963.916	4.396.238	436.598	5.796.752
Non-cash loans ⁽¹⁾	4.025.819	9.854.410	427.717	14.307.946
Prior period				
Total assets	14.274.083	16.588.064	3.993.703	34.855.850
Total liabilities	17.557.382	14.358.699	3.653.328	35.569.409
Net balance sheet position	(3.283.299)	2.229.365	340.375	(713.559)
Net off-balance sheet position				
Financial derivative assets	3.033.396	1.159.250	420.616	4.613.262
Financial derivative liabilities	173.065	3.417.423	286.015	3.876.503
Non-cash loans ⁽¹⁾	3.354.802	6.378.215	266.590	9.999.607

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 861.262 of foreign currency indexed loans and their accruals. (31 December 2012: 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), foreign currency intangible assets (TRY 16.472), prepaid expenses (TRY 96) in assets; and derivative financial instruments foreign currency expense accruals (TRY 21.094) and shareholders' equity (TRY 21.899) and foreign currency minority shares (TRY 1.990) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include credit default swaps amounting to TRY 5.873 and forward precious metal purchase transactions amounted to TRY 149.450.

⁽⁵⁾ Macar Halkbank (TRY 2.063) and International Garagum Bank (TRY 250), followed as available for sale items in foreign currency, are presented in financials with their historical costs since they are non-monetary financial items.

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK (continued)

Foreign currency sensitivity:

The Group is exposed to currency risk in EURO and USD terms in balance sheet and also utilizes from derivative instruments in order to compensate for currency risk.

The following table sets the Group's sensitivity to a 10% increase and decrease in the TRY against USD, EURO and the other foreign currencies. 10% sensitivity rate used when reporting foreign currency risk internally to key management and represents the Parent Bank's management of assessment of the possible change in foreign exchange rates. Negative amounts represent value decrease in profit and loss or shareholders' equity due to 10% decrease in value of TRY against EURO or USD.

	Change in currency rate in %	Effect on profit /loss before taxation	
		Current period	Prior period
USD	% 10 increase	(1.796)	(2.881)
EURO	% 10 increase	6.002	(42.297)
Other	% 10 increase	13.581	47.498

The Group's sensitivity to foreign currency rates has increased due to the change of foreign currency position in the current period.

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Group. The Group's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the capital adequacy standard ratio.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Parent Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Parent Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

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VI. EXPLANATIONS RELATED TO THE CONSOLIDATED 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	44.863	-	-	-	-	19.976.532	20.021.395
Banks and financial institutions	1.609.825	41.900	3.597	-	-	253.453	1.908.775
Financial assets at fair value through profit and loss	71.262	34.757	33.361	38.591	5.064	2.285	185.320
Money market placements	5.894	224.790	-	-	-	-	230.684
Financial assets available-for-sale	3.144.728	577.210	919.915	2.231.002	2.938.485	16.609	9.827.949
Loans	27.002.168	14.937.717	17.089.045	20.117.591	3.397.759	1.987.967	84.532.247
Held-to-maturity investments	9.372.162	1.603.846	1.347.360	2.776.533	3.873.697	-	18.973.598
Other assets ^{(1), (2)}	146.848	275.099	522.559	997.360	158.806	3.755.642	5.856.314
Total assets	41.397.750	17.695.319	19.915.837	26.161.077	10.373.811	25.992.488	141.536.282
Liabilities							
Bank deposits	5.825.580	306.452	300.159	-	-	3.585.113	10.017.304
Other deposits	46.932.167	19.249.198	8.913.188	176.096	160	15.107.066	90.377.875
Money market balances	771.416	490.060	-	-	-	-	1.261.476
Sundry creditors	581.718	36.279	894.565	9.029	-	171.574	1.693.165
Bonds issued	38.663	30.694	1.001.133	1.763.434	1.317.742	-	4.151.666
Funds provided from other financial institutions ⁽⁴⁾	2.712.827	3.910.918	6.039.498	1.817.549	600.301	5.259	15.086.352
Other liabilities ⁽³⁾	1.235.127	99.493	486.191	9.640	-	17.117.993	18.948.444
Total liabilities	58.097.498	24.123.094	17.634.734	3.775.748	1.918.203	35.987.005	141.536.282
Balance sheet long position	-	-	2.281.103	22.385.329	8.455.608	-	33.122.040
Balance sheet short position	(16.699.748)	(6.427.775)	-	-	-	(9.994.517)	(33.122.040)
Off-balance sheet long position	12.410	10.146	6.893	-	-	-	29.449
Off-balance sheet short position	(12.020)	(10.535)	(6.896)	-	-	-	(29.451)
Total position	(16.699.358)	(6.428.164)	2.281.100	22.385.329	8.455.608	(9.994.517)	(2)

⁽¹⁾ TRY 16.771 of deferred tax assets is disclosed under the non interest bearing column in other assets and TRY 2.456 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 436.680 of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing 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	33.026	-	-	-	-	12.484.052	12.517.078
Banks and financial institutions	971.370	2.003	-	-	-	1.615.064	2.588.437
Financial assets at fair value through profit and loss	34.018	33.139	67.874	13.281	-	1.435	149.747
Money market placements	162.534	-	-	-	-	-	162.534
Financial assets available-for-sale	2.208.349	1.588.181	2.829.910	1.869.932	1.143.266	16.027	9.655.665
Loans	27.348.206	11.026.850	10.893.353	12.810.027	2.477.136	1.018.626	65.574.198
Held-to-maturity investments	3.860.547	3.576.657	2.516.285	2.941.584	748.018	-	13.643.091
Other assets ^{(1),(2)}	116.902	59.363	260.312	634.961	201.925	3.490.519	4.763.982
Total assets	34.734.952	16.286.193	16.567.734	18.269.785	4.570.345	18.625.723	109.054.732
Liabilities							
Bank deposits	2.990.561	273.257	356.116	-	-	3.800.718	7.420.652
Other deposits	38.121.142	17.250.278	4.610.986	100.902	170	12.295.393	72.378.871
Money market balances	162.193	553.083	-	-	-	-	715.276
Sundry creditors	318.213	16.968	780.792	4.022	-	153.681	1.273.676
Bonds issued	710.741	-	31.423	1.376.815	-	-	2.118.979
Funds provided from other financial institutions ⁽⁴⁾	1.922.042	2.719.001	2.228.287	797.451	345.910	18.379	8.031.070
Other liabilities ⁽³⁾	1.570.354	740.462	349.713	-	-	14.455.679	17.116.208
Total liabilities	45.795.246	21.553.049	8.357.317	2.279.190	346.080	30.723.850	109.054.732
Balance sheet long position	-	-	8.210.417	15.990.595	4.224.265	-	28.425.277
Balance sheet short position	(11.060.294)	(5.266.856)	-	-	-	(12.098.127)	(28.425.277)
Off-balance sheet long position	20.368	113.612	11.125	-	-	-	145.105
Off-balance sheet short position	(20.368)	(25.362)	(70.225)	-	-	-	(115.955)
Total position	(11.060.294)	(5.178.606)	8.151.317	15.990.595	4.224.265	(12.098.127)	29.150

⁽¹⁾ TRY 236.222 of deferred tax assets is disclosed under the non-interest bearing column in other assets and TRY 10.837 of deferred tax liability is disclosed under the non interest bearing column in other liabilities.

⁽²⁾ TRY 345.043 of non-performing loans with no specific provision is disclosed under the non-interest bearing column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-interest bearing column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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VI. EXPLANATIONS RELATED TO THE CONSOLIDATED 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⁾	0,1-0,50	-	-	3,50
Due from other banks and financial institutions ⁽¹⁾	0,28	0,41	-	8,48
Financial assets at fair value through profit and loss	-	3,20	-	9,80
Money market placements	-	-	-	-
Available-for-sale financial assets	5,41	6,00	-	8,47
Loans ⁽²⁾	4,26	4,15	-	11,04
Held-to-maturity investments	-	5,89	-	8,95
Liabilities				
Bank deposits	0,53	1,29	-	8,83
Other deposits ⁽⁴⁾	2,82	2,64	0,25	8,19
Money market borrowings	0,55	1,09	-	6,00
Sundry creditors ⁽³⁾	-	-	-	3,56
Bonds issued	-	4,38	-	9,13
Funds provided from other financial institutions	1,15	1,68	-	7,95
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey ⁽⁵⁾	0,1-0,50	-	-	5,00
Due from other banks and financial institutions ⁽¹⁾	0,57	0,34	-	5,74
Financial assets at fair value through profit and loss	-	2,10	-	6,14
Money market placements	1,75	-	-	8,50
Available-for-sale financial assets	4,59	5,33	-	8,43
Loans ⁽²⁾	4,61	4,14	2,17	12,46
Held-to-maturity investments	6,42	5,99	-	9,07
Liabilities				
Bank deposits	0,02	1,18	-	3,15
Other deposits	3,03	2,92	-	7,68
Money market borrowings	2,30	1,46	-	4,78
Sundry creditors	-	-	-	4,13
Bonds issued	-	2,44	-	8,66
Funds provided from other financial institutions ⁽⁴⁾	1,46	1,97	-	7,67

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

⁽²⁾ Interest rates are calculated using weighted average method for loans given as of balance sheet date. Calculated rates may vary from Bank's announced interest rates.

⁽³⁾ 75% of the declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2013.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2013.

⁽⁵⁾ Required reserve ratio of the Central Bank of TRNC and Central Bank of Macedonia.

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

3. The interest rate risk of the banking book items:

The Parent Bank's standard interest rate shock methods are being used on a daily basis in respect of measuring the risk arising from repricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and repricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

The impact on financial statements regarding interest rate instabilities stated below as divided by the Parent Bank's different currencies.

Current Period				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.944.449)	(13,260%)
		(400)	2.029.290	13,839%
2	EURO	200	398.381	2,717%
		(200)	(429.990)	(2,932%)
3	USD	200	57.709	0,394%
		(200)	(11.397)	(0,078%)
Total (For negative shocks)			1.587.903	10,829%
Total (For positive shocks)			(1.488.359)	(10,150%)
Prior Period				
	Currency	Applied Shock (+/- x basis points)	Gains/ Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equity
1	TRY	500	(1.261.829)	(9,849%)
		(400)	1.282.128	10,008%
2	EURO	200	303.520	2,369%
		(200)	(266.543)	(2,081%)
3	USD	200	4.701	0,037%
		(200)	12.343	0,096%
Total (For negative shocks)			1.027.928	8,023%
Total (For positive shocks)			(953.608)	(7,443%)

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Balance Sheet Value	Comparison	
		Fair Value Change	Market Value
1. Associates	227.051	-	-
Quoted in a stock exchange	-	-	-
2. Subsidiaries	30.604	30.604	-
Quoted in a stock exchange	-	-	-

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses	
	Realized gains (losses) in the current period	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⁾	-	-	-	-	-
3. Other share certificates	-	16.729	7.528	-	-
Total	-	16.729	7.528	-	-

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Meeting the liquidity needs of the Parent Bank, domestic and foreign markets are being used. Due to the fact that the Bank's liquidity need is at low levels, the bank may provide funding easily (CB, ISEM, interbank money market and other markets). When it is considered that local and foreign currency deposit account's interest rates are lower than the peer group's averages it can be realized that the Parent Bank will be able to increase its market share if necessary. The money market borrowing facilities and the Eurobond portfolio of the Parent Bank provides an important potential funding opportunity to the Parent Bank.

The main funding source of the Group is deposit accounts. Nonetheless, the securities portfolio is mainly composed of available for sale and held to maturity securities.

The Board of Directors of the Parent Bank monitors both the BRSA and contingency plan liquidity ratios. The liquidity opportunities which will be applied in case of a liquidity shortage are defined in the contingency plans.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK (continued)

1. Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the Central Bank of Turkey	4.549.815	3.952.981	5.433.672	5.997.924	86.804	199	-	20.021.395
Banks	253.453	1.609.825	41.900	3.597	-	-	-	1.908.775
Financial assets at fair value through profit and loss	-	68.091	26.359	38.564	44.957	5.064	2.285	185.320
Money market placements	-	5.894	224.790	-	-	-	-	230.684
Financial assets available-for-sale	-	499.755	339.943	901.503	3.342.465	4.727.674	16.609	9.827.949
Loans ⁽²⁾	1.121.733	6.224.592	6.801.200	26.938.522	37.267.229	6.178.971	-	84.532.247
Held-to-maturity investments	-	264.778	1.663.324	3.409.886	5.259.592	8.376.018	-	18.973.598
Other assets ⁽³⁾	900.205	116.388	276.622	519.104	1.021.107	167.451	2.855.437	5.856.314
Total assets	6.825.206	12.742.304	14.807.810	37.809.100	47.022.154	19.455.377	2.874.331	141.536.282
Liabilities								
Bank deposits	3.585.113	5.825.580	306.452	300.159	-	-	-	10.017.304
Other deposits	15.107.066	46.930.565	19.238.264	8.837.783	258.986	5.211	-	90.377.875
Funds provided from other financial institutions ⁽⁴⁾	3.796	561.385	997.034	7.760.940	3.684.610	2.078.587	-	15.086.352
Money market balances	-	771.416	490.060	-	-	-	-	1.261.476
Bonds issued	-	38.663	30.694	1.001.133	1.763.434	1.317.742	-	4.151.666
Sundry creditors	125.109	606.323	93.491	261.797	552.900	117	53.428	1.693.165
Other liabilities ⁽¹⁾	3.282.174	226.027	198.929	796.055	219.345	175.332	14.050.582	18.948.444
Total liabilities	22.103.258	54.959.959	21.354.924	18.957.867	6.479.275	3.576.989	14.104.010	141.536.282
Liquidity gap	(15.278.052)	(42.217.655)	(6.547.114)	18.851.233	40.542.879	15.878.388	(11.229.679)	-
Previous period								
Total assets	4.669.168	12.452.443	11.403.889	27.861.180	40.353.792	9.301.529	3.012.731	109.054.732
Total liabilities	19.183.278	42.810.984	19.480.550	9.227.823	4.450.954	1.877.088	12.024.055	109.054.732
Liquidity gap	(14.514.110)	(30.358.541)	(8.076.661)	18.633.357	35.902.838	7.424.441	(9.011.324)	-

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ TRY 436.680 of non-performing loans with no specific provision, is disclosed in other assets line under the undistributed column.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and receivables from NPL are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED 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	71.592.914	19.742.987	9.347.160	264.648	5.211	(557.741)	100.395.179
Funds provided from other financial intuitions	576.771	1.025.031	7.896.427	3.843.557	2.177.675	(433.109)	15.086.352
Money market borrowings	771.570	490.060	-	-	-	(154)	1.261.476
Securities issued	38.756	30.964	1.042.907	2.068.988	1.682.419	(712.368)	4.151.666
Funds	624.364	141.448	319.597	245.812	206.084	(48.763)	1.488.542
Total	73.604.375	21.430.490	18.606.091	6.423.005	4.071.389	(1.752.135)	122.383.215

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	57.319.699	17.704.559	5.040.828	213.739	4.385	(483.687)	79.799.523
Funds provided from other financial intuitions	271.528	509.062	3.550.644	2.414.272	1.832.033	(546.469)	8.031.070
Money market borrowings	162.214	553.647	-	-	-	(585)	715.276
Securities issued	719.014	-	32.266	1.669.657	-	(301.958)	2.118.979
Funds	618.814	98.686	280.166	228.713	239.295	(57.787)	1.407.887
Total	59.091.269	18.865.954	8.903.904	4.526.381	2.075.713	(1.390.486)	92.072.735

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

In accordance with the Communiqué on the “Measurement and Assessment of Liquidity of the Banks” published in the official gazette dated 1 November 2006 No: 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratio as at 31 December 2013 and 2012 are presented below:

	Current Period				Prior Period			
	First maturity Tranche(Weekly)		First maturity Tranche(Monthly)		First maturity Tranche(Weekly)		First maturity Tranche(Monthly)	
	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC	FC	TRY+FC
Average	266,58	222,10	171,77	135,40	174,60	196,96	126,02	123,65
Maximum	363,35	291,28	209,41	154,00	230,51	250,27	149,85	141,13
Minimum	185,12	183,18	132,01	121,99	131,56	154,38	106,25	104,22

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VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK (continued)

Analysis of the Group's derivative financial instruments according to their remaining maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	864.130	325.844	493.614	78.487	-	1.762.075
Forward Contracts – Sell	854.856	180.495	491.752	76.157	-	1.603.260
Swaps – Buy	8.222.392	284.080	119.964	106.000	-	8.732.436
Swaps – Sell	8.185.666	269.741	105.094	91.175	-	8.651.676
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal – Buy	-	5.873	-	-	-	5.873
Forward Precious Metal – Sell	-	149.450	-	-	-	149.450
Money Buy Options	50.680	52.904	21.934	-	-	125.518
Money Sell Options	50.246	44.618	30.655	-	-	125.519
Swaps Interest – Buy	-	-	-	-	678.400	678.400
Swaps Interest – Sell	-	-	-	-	678.400	678.400
Total	18.227.970	1.313.005	1.263.013	351.819	1.356.800	22.512.607

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	641.463	503.262	156.391	349	-	1.301.465
Forward Contracts – Sell	637.040	594.598	156.378	374	-	1.388.390
Swaps – Buy	704.421	2.281.832	117.536	529.500	-	3.633.289
Swaps – Sell	705.785	2.258.622	117.605	514.175	-	3.596.187
Credit Default Swap – Buy	-	-	-	88.250	-	88.250
Credit Default Swap – Sell	-	-	-	59.100	-	59.100
Forward Precious Metal - Buy	-	314.800	-	-	-	314.800
Forward Precious Metal - Sell	-	222.683	-	-	-	222.683
Money Buy Options	540	95.317	44.711	-	-	140.568
Money Sell Options	540	95.340	44.686	-	-	140.566
Total	2.689.789	6.366.454	637.307	1.191.748	-	10.885.298

IX. EXPLANATIONS RELATED TO THE CONSOLIDATED SECURITIZATION POSITIONS:

Securitization positions:

None.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

X. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques:

The Group does not apply any netting process on balance sheet and off balance sheet items. .

The risk mitigators that are used in credit process are stated below:

- Financial collaterals (Government securities, cash, deposit pledge, gold, stock pledge)
- Guarantees
- Mortgage (In the implementation of the Basel II, although, risk mortgage loans evaluated as a class, in terms of valuation methods and concentrations they are also given in this section).

The financial collaterals are revaluated by daily basis by the Parent Bank. The credibility of guarantors is monitored within the framework of credit revision periods.

The value of the mortgages is being revalued during the credit period.

The revaluation of the mortgages whose value are more than TRY 3.000 or 5% of the Parent Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

Only Treasury and the Group's guarantees are taken into account as risk mitigator within the framework of BRSA regulations. Besides, the credibility of Banks is reviewed periodically.

The volatility of mortgage portfolio is monitored closely by the Group and the market fluctuations are considered in credit activities.

Standard volatility adjustments are taken into account regarding to portfolios in which comprehensive approach is used.

Information about guaranties according to risk classifications:

Risk Classifications	Amount	Financial guaranties	Other/Physical guaranties	Guarantees and credit derivatives
Claims on sovereigns and Central Banks	40.991.173	694.629	-	-
Claims on regional governments or local authorities	158.890	14.903	-	-
Claims on administrative bodies and other non-commercial undertakings	294.865	14.573	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	4.724.965	-	-	-
Claims on corporate	40.807.554	630.386	-	270.711
Claims included in the regulatory retail portfolios	26.932.347	1.567.877	-	150.429
Claims secured by residential property	20.520.982	29.206	-	-
Overdue loans	554.376	-	131.082	-
Higher risk categories decided by the Board	10.216.665	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	5.124.726	-	-	-
Total	150.326.543	2.951.574	131.082	421.140

(*)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 CONSOLIDATED FINANCIAL STRUCTURE (continued)

XI. EXPLANATIONS RELATED TO THE CONSOLIDATED RISK MANAGEMENT TARGET AND POLICIES:

Risk management target and policies:

Credit Risk:

The Parent Bank's credit authorization limits are defined with respect to Head Office, Regional Directorates 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 Group and risk mitigators are defined with respect to rating categories. Rating modules are subject to validation process and the discrimination power of the module is calculated periodically.

The expected loss amount is estimated by the Group and the Parent Bank analyses whether own funds will be able to compensate the loss. Furthermore, the effect of possible shocks is analyzed periodically by scenario analysis and stress tests.

The concentration limits are defined in respect of main and sub-sectors.

Overdue loans and their customer segmentations and sectors are periodically monitored.

Foreign Exchange Risk:

The Risk Management Department of the Parent Bank measures the foreign exchange risk of the Group.

The risks that arising from the exchange rate volatility are calculated by using either standard method or internal model methods by Risk Management Department on a daily basis.

The trading loss of the Group is restricted by using VaR based limits. Besides, stop loss limits are also defined for foreign exchange transactions. The Group defines limits with respect to the nominal short or long foreign exchange position.

Interest Rate Risk:

The activities regarding the measurement of the Group's interest rate risk are carried out by Risk Management Department.

The risks arising from the interest rate volatility are measured both for trading and banking book items. Whereas standardized method and internal models are used in the measurement process of trading items, standard interest rate shock method and duration analysis are used in the measurement process of banking book items.

The economic value decline which will be occurred due to the interest rate risk in the banking book is restricted by a certain percentage of shareholders' equity. Furthermore, the interest rate risk which will be raised from the trading book items is restricted by VaR based limits.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

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

Risk management target and policies (continued):

Liquidity Risk:

The Group's liquidity risk measurement activities are carried out by Risk Management Department.

Both BRSA and Basel III liquidity ratios are taken into account in liquidity risk measurement process. Moreover, the strategies that will be implemented in case of the Group's liquidity shocks are determined by liquidity contingency plan. The Parent Bank's duration mismatch of asset and liability items is monitored daily basis and the liquidity deficit which will be occurred due to the maturity mismatch is restricted by setting a limit.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED BUSINESS SEGMENTATION

The Group's operations are grouped under the corporate, commercial, integrated and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SME) as well as individuals having consumer status. In this context, the Parent Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Parent Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

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SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE (continued)

XII. EXPLANATIONS RELATED TO CONSOLIDATED 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⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	1.220.629	947.019	8.852.094	7.017.914	145.950	(8.792.431)	9.391.175
Interest on loans	772.932	785.863	5.169.226	419.974	-	-	7.147.995
Interest income on marketable securities	-	-	-	2.062.286	27.537	-	2.089.823
Interest received from banks	-	-	-	20.213	-	-	20.213
Other interest income ⁽²⁾	447.697	161.156	3.682.868	4.515.441	118.413	(8.792.431)	133.144
Interest expense	688.595	517.992	6.972.619	4.964.185	46.665	(8.792.431)	4.397.625
Interest on deposits	394.611	152.082	3.048.753	205.481	-	-	3.800.927
Interest on borrowings	3.155	15.300	14.430	184.389	42.689	-	259.963
Interest on money market borrowings	-	-	-	103.819	-	-	103.819
Interest on marketable bonds issued	-	-	-	176.935	3.976	-	180.911
Other interest expense ⁽²⁾	290.829	350.610	3.909.436	4.293.561	-	(8.792.431)	52.005
Net interest income	532.034	429.027	1.879.475	2.053.729	99.285	-	4.993.550
Net fees and commissions income	179.745	98.288	582.839	6.166	(14.213)	-	852.825
Net trading profit / (loss)	-	-	-	243.668	3.123	-	246.791
Dividend income	-	-	-	9.629	2.151	-	11.780
Other income	38.254	41.594	290.240	434.105	570.021	-	1.374.214
Loans and other receivables' impairment loss	13.858	105.954	351.916	380.998	34.890	-	887.616
Other expenses	24.560	63.615	1.190.615	1.420.883	385.489	-	3.085.162
Income before taxes	711.615	399.340	1.210.023	945.416	239.988	-	3.506.382
Income tax provision	-	-	-	(616.302)	(37.355)	-	(653.657)
Net profit for the period	711.615	399.340	1.210.023	329.114	202.633	-	2.852.725
SEGMENT ASSETS							
Marketable securities	-	-	-	28.549.315	297.888	-	28.847.203
Derivative financial assets held for trading	-	-	-	139.664	-	-	139.664
Banks and money market receivables	-	-	-	2.118.646	20.813	-	2.139.459
Associates and subsidiaries (net)	-	-	-	257.655	-	-	257.655
Loans	13.130.413	12.780.356	51.364.586	7.693.572	-	-	84.968.927
Other assets ⁽¹⁾	1.582	11.057	883.741	22.035.152	2.251.842	-	25.183.374
TOTAL ASSETS	13.131.995	12.791.413	52.248.327	60.794.004	2.570.543	-	141.536.282
SEGMENT LIABILITIES							
Deposits	12.756.670	4.518.277	67.171.161	15.949.071	-	-	100.395.179
Derivative financial liabilities held for trading	-	-	-	43.852	9.640	-	53.492
Money market balances	-	-	-	1.261.476	-	-	1.261.476
Borrowing funding loans	20.257	315.600	417.038	12.965.143	1.368.314	-	15.086.352
Bonds issued	-	-	-	4.051.508	100.158	-	4.151.666
Other liabilities	111.541	201.343	2.939.419	1.141.664	144.417	-	4.538.384
Provisions and tax payable	21.488	21.027	120.307	1.950.006	565.890	-	2.678.718
Shareholders' equity	-	-	-	12.666.829	704.186	-	13.371.015
TOTAL LIABILITIES	12.909.956	5.056.247	70.647.925	50.029.549	2.892.605	-	141.536.282
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	13.710.270	6.326.256	6.746.366	255.285	82.252	-	27.120.429
Commitments	36.854	500.440	6.763.240	12.021.668	206.600	-	19.528.802
Derivative financial instruments	-	-	-	20.904.334	146.420	-	21.050.754

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY 1.463.302 (net) and deferred tax assets amounting TRY 16.771 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, and Halk Faktoring AŞ transactions are shown in other column.

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XII. EXPLANATIONS RELATED TO CONSOLIDATED 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 2012 are presented in the table below.

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Elimination ⁽²⁾	Total
OPERATING INCOME / EXPENSES							
Interest income	1.262.607	1.005.258	9.552.764	7.510.774	104.408	(10.313.630)	9.122.181
Interest on loans	658.712	768.542	4.921.350	392.577	-	-	6.741.181
Interest income on marketable securities	-	-	-	2.243.983	24.032	-	2.268.015
Interest received from banks	-	-	-	12.278	28	-	12.306
Other interest income ⁽²⁾	603.895	236.716	4.631.414	4.861.936	80.348	(10.313.630)	100.679
Interest expense	921.226	760.028	7.118.050	6.017.422	34.414	(10.313.630)	4.537.510
Interest on deposits	386.590	171.514	3.321.467	184.487	-	-	4.064.058
Interest on borrowings	2.808	13.023	10.784	124.242	32.721	-	183.578
Interest on money market borrowings	-	-	-	137.742	-	-	137.742
Interest on marketable bonds issued	-	-	-	96.597	1.693	-	98.290
Other interest expense ⁽²⁾	531.828	575.491	3.785.799	5.474.354	-	(10.313.630)	53.842
Net interest income	341.381	245.230	2.434.714	1.493.352	69.994	-	4.584.671
Net fees and commissions income	187.774	150.501	453.469	22.775	(3.786)	-	810.733
Net trading profit / (loss)	-	-	-	558.299	(2.408)	-	555.891
Dividend income	-	-	-	758	-	-	758
Other income	1.142	24.124	218.983	129.021	371.970	-	745.240
Loans and other receivables' impairment loss	49.836	44.341	290.519	504.420	11.783	-	900.899
Other expenses	22.110	53.912	942.819	1.097.231	280.561	-	2.396.633
Income before taxes	458.351	321.602	1.873.828	602.554	143.426	-	3.399.761
Income tax provision	-	-	-	(736.604)	(20.113)	-	(756.717)
Net profit for the period	458.351	321.602	1.873.828	(134.050)	123.313	-	2.643.044
SEGMENT ASSETS							
Marketable securities	-	-	-	23.127.317	238.374	-	23.365.691
Derivative financial assets held for trading	-	-	-	82.772	40	-	82.812
Banks and money market receivables	-	-	-	2.748.750	2.221	-	2.750.971
Associates and subsidiaries (net)	-	-	-	176.654	-	-	176.654
Loans	10.049.389	9.552.386	40.585.669	5.731.797	-	-	65.919.241
Other assets ⁽¹⁾	597	8.554	713.351	14.753.412	1.283.449	-	16.759.363
TOTAL ASSETS	10.049.986	9.560.940	41.299.020	46.620.702	1.524.084	-	109.054.732
SEGMENT LIABILITIES							
Deposits	11.909.003	4.183.138	55.389.430	8.317.952	-	-	79.799.523
Derivative financial liabilities held for trading	-	-	-	50.282	-	-	50.282
Money market balances	-	-	-	715.276	-	-	715.276
Borrowing funding loans	8.155	219.674	220.342	6.916.777	666.122	-	8.031.070
Bonds issued	-	-	-	2.031.305	87.674	-	2.118.979
Other liabilities	33.071	86.758	2.556.752	1.287.197	59.938	-	4.023.716
Provisions and tax payable	16.217	18.851	90.809	2.211.138	478.615	-	2.815.630
Shareholders' equity	-	-	-	11.416.329	83.927	-	11.500.256
TOTAL LIABILITIES	11.966.446	4.508.421	58.257.333	32.946.256	1.376.276	-	109.054.732
OFF BALANCE SHEET ITEMS							
Guarantees and surety ships	9.885.399	4.813.275	4.898.985	161.206	-	-	19.758.865
Commitments	33.667	342.791	6.185.456	7.989.141	-	-	14.551.055
Derivative financial instruments	-	-	-	9.576.243	-	-	9.576.243

⁽¹⁾ Amounts arising from transactions of general directorate are presented under the treasury / investment column. In this context net of property, plant and equipment amounting TRY1.517.341 (net) and deferred tax assets amounting TRY 236.222 in other assets are presented under the Treasury / Investment column.

⁽²⁾ Net fund transfer pricing amounts are distributed in other interest income and other interest expense sections.

⁽³⁾ Halk Hayat Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ and Halk Portföy Yönetimi AŞ transactions are shown in other column.

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SECTION IV: INFORMATION ON CONSOLIDATED 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	137.682.447	105.349.403	129.695.734	101.835.285
Cash and Balances with the Central Bank of Turkey	20.021.395	12.517.078	20.021.395	12.517.078
Financial assets fair value changes reflected to income statement	185.320	149.747	185.320	149.747
Banks	1.908.775	2.588.437	1.908.775	2.588.437
Money market placements	230.684	162.534	230.684	162.534
Available for sale financial assets ⁽¹⁾	9.811.340	9.639.638	9.811.340	9.639.638
Held to maturity investments	18.973.598	13.643.091	18.492.161	13.524.153
Loans ⁽²⁾	84.532.247	65.574.198	77.011.232	62.164.197
Finance Lease Receivables (Net)	1.693.756	1.074.217	1.709.495	1.089.038
Factoring Receivables	325.332	463	325.332	463
Financial Liabilities	122.641.330	91.988.806	121.650.358	91.680.629
Deposits	100.395.179	79.799.523	100.526.794	79.911.682
Derivative financial liabilities held for trading	53.492	50.282	53.492	50.282
Funds provided from other financial institutions	15.086.352	8.031.070	14.309.794	7.674.555
Money market borrowings	1.261.476	715.276	1.261.476	715.276
Securities issued	4.151.666	2.118.979	3.903.682	2.118.979
Miscellaneous payables	1.693.165	1.273.676	1.595.120	1.209.855

⁽¹⁾ As of 31 December 2013 TRY 16.609 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2012: TRY 16.027).

⁽²⁾ Net of follow-up loans has not been included in the table above.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market places, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with the same terms of interest maturity and other similar conditions have been used.
- ii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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SECTION IV: INFORMATION ON CONSOLIDATED 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	41.984	139.664	-	181.648
Debt securities	34.862	-	-	34.862
Derivative financial assets held for trading purpose	-	139.664	-	139.664
Bonds	2.285	-	-	2.285
Other Securities ⁽²⁾	4.837	-	-	4.837
Available-for-sale financial assets ⁽¹⁾	9.811.340	-	-	9.811.340
Debt securities	9.801.333	-	-	9.801.333
Other Securities	10.007	-	-	10.007
Total Financial Assets	9.853.324	139.664	-	9.992.988
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	53.492	-	53.492
Total Financial Liabilities	-	53.492	-	53.492

¹⁾ As of 31 December 2013, share certificates amounting to TRY 16.609 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2013, marketable securities amounting to TRY 3.672 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose	64.332	82.812	-	147.144
Debt securities	51.600	-	-	51.600
Derivative financial assets held for trading purpose	-	82.812	-	82.812
Bonds	1.435	-	-	1.435
Other Securities ⁽²⁾	11.297	-	-	11.297
Available-for-sale financial assets ⁽¹⁾	9.639.638	-	-	9.639.638
Debt securities	9.633.564	-	-	9.633.564
Other Securities	6.074	-	-	6.074
Total Financial Assets	9.703.970	82.812	-	9.786.782
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	50.282	-	50.282
Total Financial Liabilities	-	50.282	-	50.282

As of 31 December 2012 share certificates amounting to TRY 16.027 in available for sale financial assets are not included in the above table, which are recognized with impairment net off historic cost.

⁽²⁾ As of 31 December 2012, marketable securities amounting to TRY 2.603 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

XIV. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

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

The Group does not engage in transaction based on trust.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

(1) a) Cash and balances with the Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	627.718	188.357	523.334	169.982
Central Bank of Turkey	2.173.404	17.006.682	1.083.507	10.718.803
Other	-	25.234	-	21.452
Total	2.801.122	17.220.273	1.606.841	10.910.237

⁽¹⁾As of 31 December 2013, blocked reserve deposits kept in Central Bank of Macedonia amounted TRY 24.942 (31 December 2012: TRY 21.438).

Information on the account of Central Bank of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.164.297	1.570.064	1.076.051	876.801
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	-
Reserve deposits ⁽²⁾	9.107	15.436.618	7.456	9.842.002
Total	2.173.404	17.006.682	1.083.507	10.718.803

⁽¹⁾ Reserve deposits kept in Central Bank of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of Turkey and Central Bank of Cyprus.

The banks operating in Turkey keep reserve deposits for Turkish currency liabilities in TRY, USD, EUR and/or standard gold at the rates between 5% and 11,5% according to their maturities (31 December 2012: between 5% and 11% according to their maturities), foreign currency liabilities in USD, EUR and/or standard gold at the rates between 6% and 13% according to their maturities (31 December 2012: between 6% and 11,5 % according to their maturities), respectively as per the Communiqué no.2011/11 and 2011/13 “Reserve Deposits” of the Central Bank of Turkey.

With the Board of Minutes No.827 dated 16 July 2012 of TRNC Central Bank’s, required reserve ratio is between 5% and 8% for TRY liabilities and 8% for foreign currency liabilities.

With the Board of Minutes No. 129 dated 2006 of Central Bank of Macedonia, required reserve ratio are 10% for MKD currency liabilities and 13% for foreign currency liabilities.

Reserve deposits required by the Central Bank of Turkey are not interest bearing except those kept by the Central Banks of TRNC and Macedonia.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

The Group has TRY 1.007 of financial assets at fair value through profit and loss blocked/given as collateral in the current period (31 December 2012: TRY 685).

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

c) Positive differences related to the derivative financial assets held-for-trading:

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	26.470	-	6.111
Swap transactions	-	112.900	-	76.658
Futures transactions	-	-	-	-
Options	3	291	5	38
Other	-	-	-	-
Total	3	139.661	5	82.807

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	62.158	581.974	170.513	474.417
Foreign banks	100.491	1.164.152	37.555	1.905.952
Branches and offices abroad	-	-	-	-
Total	162.649	1.746.126	208.068	2.380.369

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1.021.610	326.443	-	-
USA and Canada	32.886	85.601	-	-
OECD Countries ⁽¹⁾	63.392	1.485.610	-	-
Offshore Banking Regions	-	-	-	-
Other	146.755	45.853	-	-
Total	1.264.643	1.943.507	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	172.200	857.722	191.490	96.796
Total	172.200	857.722	191.490	96.796

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

The Group has TRY 4.638 of financial assets available-for-sale subject to repurchase agreements in the current period. (31 December 2012: None)

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	9.994.476	9.642.209
<i>Quoted on a stock exchange</i>	9.994.476	9.642.209
<i>Not quoted</i>	-	-
Share certificates	35.505	34.929
<i>Quoted on a stock exchange</i>	-	-
<i>Not quoted</i>	35.505	34.929
Impairment provision(-)	202.032	21.473
Total	9.827.949	9.655.665

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

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	167.537	-	129.890	-
Total	167.537	-	129.890	-

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

	Standard loans and other receivables		Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified	Loans and other receivables (Total)	Agreement conditions modified	
				Payment plan extensions	Other
Cash loans					
Non-specialized loans	66.268.279	809.085	-	2.117.184	1.461.752
<i>Corporation loans</i>	38.286.201	683.483	-	1.852.752	1.449.266
<i>Export loans</i>	2.378.794	71.141	-	27.719	10.068
<i>Import loans</i>	-	-	-	-	-
<i>Loans given to financial sector</i>	1.318.733	427	-	-	-
<i>Consumer loans⁽¹⁾</i>	20.896.327	51.445	-	171.740	2.414
<i>Credit cards⁽²⁾</i>	2.604.443	-	-	53.491	-
<i>Other</i>	783.781	2.589	-	11.482	4
Specialized lending	14.937.976	57.430	-	187.475	22.494
Other receivables	-	-	-	-	-
Accruals	993.427	10.595	-	27.906	18.148
Total	82.199.682	877.110	-	2.332.565	1.502.394

⁽¹⁾ Includes TRY 119.876 of personnel loans.

⁽²⁾ Includes TRY 47.661 of personnel credit cards.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
Extended by 1 or 2 times	770.564	1.416.246
Extended by 3,4 or 5 times	85.234	67.615
Extended by more than 5 times	10.717	385

^(*) Accruals amounting to TRY 10.595 are not included in the table above.

^(**) Accruals amounting to TRY 18.148 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ^(*)	Loans and Other Receivables Under Close Monitoring ^(**)
0-6 Months	395.629	64.337
6 Months - 12 Months	224.085	42.134
1-2 Years	61.218	54.604
2-5 Years	171.229	348.722
5 Years and over	14.354	974.449

^(*) Accruals amounting to TRY 10.595 are not included in the table above.

^(**) Accruals amounting to TRY 18.148 are not included in the table above.

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I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	18.435.877	482.333	207.345	41.084
<i>Non-specialized loans</i>	18.074.669	459.373	204.677	40.588
<i>Specialized lending</i>	139.670	17.134	193	-
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	221.538	5.826	2.475	496
Medium and long term loans and other receivables	62.886.695	394.777	622.826	1.461.310
<i>Non-specialized loans</i>	47.384.525	349.712	450.755	1.421.164
<i>Specialized lending</i>	14.740.876	40.296	164.788	22.494
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	761.294	4.769	7.283	17.652

Prior Period	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	16.933.306	324.803	199.037	37.562
<i>Non-specialized loans</i>	16.622.471	310.067	195.502	37.122
<i>Specialized lending</i>	114.639	10.970	1.234	5
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	196.196	3.766	2.301	435
Medium and long term loans and other receivables	46.084.297	284.458	667.276	1.043.459
<i>Non-specialized loans</i>	33.715.344	225.797	510.831	1.030.200
<i>Specialized lending</i>	11.832.252	55.363	148.758	1.161
<i>Other receivables</i>	-	-	-	-
<i>Accruals</i>	536.701	3.298	7.687	12.098

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	2.806	225.706	228.512
<i>Real estate loans</i>	78	16.646	16.724
<i>Automobile loans</i>	235	873	1.108
<i>Consumer loans</i>	2.315	197.803	200.118
<i>Other</i>	178	10.384	10.562
Individual credit cards-TRY	2.182.938	1.067	2.184.005
<i>Installment</i>	1.074.488	-	1.074.488
<i>Non-installment</i>	1.108.450	1.067	1.109.517
Individual credit cards-FC	44	24.037	24.081
<i>Installment</i>	-	24.037	24.037
<i>Non-installment</i>	44	-	44
Personnel loans-TRY	4.950	111.230	116.180
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	4.950	111.230	116.180
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	117	3.579	3.696
<i>Real estate loans</i>	6	2.184	2.190
<i>Automobile loans</i>	-	21	21
<i>Consumer loans</i>	108	1.326	1.434
<i>Other</i>	3	48	51
Personnel credit cards-TRY	47.124	537	47.661
<i>Installment</i>	22.460	525	22.985
<i>Non-installment</i>	24.664	12	24.676
Personnel credit cards-FC	-	-	-
<i>Installment</i>	-	-	-
<i>Non-installment</i>	-	-	-
Overdraft accounts-TRY (Retail customer)	344.743	-	344.743
Overdraft accounts-FC (Retail customer)	14.012	-	14.012
Total	2.895.578	20.428.236	23.323.814

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	119.327	276.476	395.803
<i>Business residential loans</i>	-	46.970	46.970
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	119.327	229.506	348.833
Corporate credit cards-TRY	401.869	-	401.869
<i>Installment</i>	264.735	-	264.735
<i>Non-installment</i>	137.134	-	137.134
Corporate credit cards-FC	17	301	318
<i>Installment</i>	-	301	301
<i>Non-installment</i>	17	-	17
Overdraft accounts-TRY (Commercial customer)	336.197	-	336.197
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	864.648	1.044.910	1.909.558

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

f) Loan according to type of borrowers:

	Current period	Prior period
Public	2.116.135	1.710.467
Private	82.416.112	63.863.731
Total	84.532.247	65.574.198

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	83.573.141	64.897.570
Foreign loans	959.106	676.628
Total	84.532.247	65.574.198

h) Loans granted to subsidiaries and associates:

None.

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	245.747	212.374
Loans and receivables with doubtful collectability	131.601	88.113
Uncollectible loans and receivables	1.450.180	1.328.543
Total	1.827.528	1.629.030

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I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	352.638	146.277	1.475.158
Additions (+)	751.572	24.524	67.440
Transfers from other categories of loans under follow-up (+)	-	450.498	362.623
Transfers to other categories of loans under follow-up (-)	526.139	286.982	-
Collections (-)	198.775	117.002	237.624
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	379.296	217.315	1.667.597
Specific provision (-)	245.747	131.601	1.450.180
Net balance on balance sheet	133.549	85.714	217.417

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	1.724	1.804	15.504
Specific provisions(-)	607	1.090	15.504
Net balance in the balance sheet	1.117	714	-
Prior period			
Balance at the end of the period	3.342	1.329	9.756
Specific provisions(-)	2.322	913	9.157
Net balance in the balance sheet	1.020	416	599

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
	133.549	85.714	217.417
Loans to granted real persons and legal entities (Gross)	379.154	215.149	1.617.110
Specific provisions (-)	245.605	129.435	1.399.693
Loans to granted real persons and legal entities (Net)	133.549	85.714	217.417
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	142	2.166	50.487
Specific provisions (-)	142	2.166	50.487
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
	140.264	58.164	146.615
Loans to granted real persons and legal entities (Gross)	352.531	145.987	1.436.337
Specific provisions (-)	212.267	87.823	1.289.722
Loans to granted real persons and legal entities (Net)	140.264	58.164	146.615
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	107	290	38.821
Specific provisions (-)	107	290	38.821
Other loans and receivables (Net)	-	-	-

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

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

(5) Information on loans: (continued)

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Parent Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the “Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up” non performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

m) Aging analysis of overdue but not impaired financial assets per classes of financial instruments:

Current Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	45.318	11.849	417	49.327
SME Loans	92.435	19.073	15.644	127.152
Consumer Loans	36.454	5.913	4.201	57.342
Credit cards	122.995	20.934	10.949	152.361
Total	297.202	57.769	31.211	386.182

(*)Only the overdue loans those subject to outstanding principal payment amounting to TRY 1.348.348 are included.

Prior Period	Less than 30 days	Between 31-60 days	Between 61-90 days	Total
Loans				
Corporate Loans	8.766	5.624	14.545	28.935
SME Loans	80.765	32.350	20.697	133.812
Consumer Loans	29.954	5.919	3.913	39.786
Credit cards	100.296	15.219	6.770	122.285
Total	219.781	59.112	45.925	324.818

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	3.089.127	121.049	2.172.312	472.358
Total	3.089.127	121.049	2.172.312	472.358

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	764.916	-	62.980	333.509
Total	764.916	-	62.980	333.509

b) Information on public sector debt investments held-to-maturity:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds		18.966.304		13.636.006
Treasury bills		-		-
Other public sector debt securities		-		-
Total		18.966.304		13.636.006

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		18.973.598		13.643.091
<i>Quoted on a stock exchange</i>		17.745.799		11.810.664
<i>Not quoted</i>		1.227.799		1.832.427
Impairment provision (-)		-		-
Total		18.973.598		13.643.091

d) Movement of held-to-maturity investments within the year:

	Current period		Prior period	
	TRY	FC	TRY	FC
Beginning balance		13.643.091		14.064.458
Foreign currency differences on monetary assets		(30)		(83.455)
Purchases during the year ⁽¹⁾		10.414.943		2.283.237
Disposals through sales and redemptions ⁽²⁾		(5.084.406)		(2.621.149)
Impairment provision (-) / provision reversal (+)		-		-
Balance at the of the period		18.973.598		13.643.091

⁽¹⁾ Interest income accrual difference between 31 December 2013 amounting to TRY 1.133.097 and 31 December 2012 amounting to TRY 818.367 has been included in purchases row.

⁽²⁾ In accordance with the tainting rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Parent Bank reclassified EUR 264.347 (TRY 606.491) and USD 342.113 (TRY 612.382) of financial assets from held to maturity investments portfolio to available for sale portfolio. Related amount was presented in "Disposals Through Sales and Redemptions" row.

⁽³⁾ In accordance with the rules defined in Turkish Accounting Standards 39-Financial Instruments: Recognition and Measurement as published by Turkish Accounting Standards Board ("TASB"), as of 31 December 2013, the Bank reclassified TRY 4.039.794 thousands and USD 502.575 (TRY 982.535) thousands of financial assets from available for sales portfolio to held to maturity investments portfolio. Related amount was presented in "Purchases during the year" row.

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I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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 Group is as follows:

	Current period				Prior period			
	Historical cost		Amortized cost		Historical cost		Amortized cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Under secretariat of Treasury of Republic of Turkey ⁽¹⁾	10.338.419	-	11.327.941	-	7.566.448	-	8.226.156	-
Obtained with the transfer	1.200.000	-	1.227.798	-	1.800.000	-	1.832.427	-
Reclassified from other securities portfolios ⁽¹⁾	5.167.817	937.622	5.274.255	945.657	2.049.330	254.067	2.115.933	270.795
Other	202	196.452	202	197.745	6.988	1.147.891	7.085	1.190.695
Total	16.706.438	1.134.074	17.830.196	1.143.402	11.422.766	1.401.958	12.181.601	1.461.490

(1) The Bank has reclassified TRY 5.022.329 from available for sale financial assets portfolio to held to maturity investments portfolio on 23 October 2013.

(7) Information on associates (Net):

a) Information on unconsolidated associates, reasons for not consolidating:

The non-financial investments in associates are accounted under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ	İstanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ	İstanbul	18,95	18,95

Information related to the associates as sorted above:

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	100.413	83.442	52.332	2.546	-	32.665	33.184	-
2.	35.583	22.332	19.770	511	-	2.644	1.144	-

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

⁽²⁾ The financial data of Kredi Kayıt Bürosu AŞ and Bankalar Arası Kart Merkezi AŞ is obtained from 31 December 2013 audited financial statements.

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

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

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

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demirhalkbank NV	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	32,26

Information related to the associates as sorted above:

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/los s	Prior period profit/loss	Fair value
1.	5.063.596	671.918	35.651	123.295	36.340	39.515	39.992	-
2.	47.072	46.801	22.852	1.922	-	152	1.070	-

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

(2) The financial data of Demirhalkbank NV is obtained from 31 December 2013 unaudited financial statements, and the financial data of Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ is obtained from 31 December 2013 audited financial statements.

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	176.654	155.488
Movements during the period	50.397	21.166
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	11.915	11.978
<i>Sales</i>	-	(717)
<i>Transfers⁽¹⁾</i>	(335)	(3.006)
<i>Revaluation decrease (-) / increase</i>	38.817	12.405
<i>Provision for impairment (-) / reversals (+)</i>	-	506
Balance at the end of the period	227.051	176.654
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	206.348	155.676
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	14.383	14.324

f) Associates quoted to a stock exchange:

None.

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	259.162	5.000	109.685	40.000
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share Premiums	-	-	-	30.954	-	-	11.633	-
Reserves	6.257	20.086	14.716	25.091	7.548	189	34.327	-
Profit / Loss	9.132	43.134	83.083	39.702	26.314	1.385	6.114	759
Net Profit	8.713	43.134	77.404	31.511	16.503	1.349	5.626	1.020
Prior Period Profit/Loss	419	-	5.679	8.191	9.811	36	488	-261
Leasehold Improvements (-)	-	-	734	450	110	-	-	106
Intangible Assets (-)	305	2.567	1.421	223	707	5	1.291	192
Total Core Capital	70.084	130.653	208.644	768.713	292.207	6.569	160.468	40.461
SUPPLEMENTARY CAPITAL	1.667	14.239	(11.832)	(213)	-	-	7.696	-
CAPITAL	71.751	144.892	196.812	768.500	292.207	6.569	168.164	40.461
NET AVAILABLE CAPITAL	71.751	144.892	196.812	768.500	292.207	6.569	168.164	40.461

⁽¹⁾ The information is presented from financial statements subject to consolidation as of 31 December 2013.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital (domestic) has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Paid in capital (foreign) has been indicated as foreign currency in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

b) Unconsolidated subsidiaries, reasons for not consolidating and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

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

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

(8) Information on subsidiaries (continued)

c) Information on unconsolidated subsidiaries:

	Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Income from						
				Total assets	Shareholders ' equity	Total fixed assets	Interest income	marketable securities portfolio	Current period profit / loss	Prior period profit / loss
1.	Bileşim Alternatif Dağ. Kan. AŞ	İstanbul	100,00							
1.	32.006	15.841	4.050	434	277	2.562	938	30.604		

⁽¹⁾ The financial data of Bileşim Alternatif Dağ. Kan. is obtained from 31 December 2013 unaudited financial statements.

⁽²⁾ As of 22 July 2013, the Bank purchased 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%) and thus make the company as the Bank's subsidiary.

⁽³⁾ The information is presented from valuation report as 31 December 2013.

d) Information on consolidated subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,94	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	93,50
3. Halk Hayat ve Emeklilik AŞ	İstanbul	94,40	99,67
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	77,99	78,10
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	56,00	99,68
7. Halk Banka AD, Skopje	Macedonia	98,78	98,78
8. Halk Faktoring AŞ	İstanbul	95,00	99,91

e) Information related to the subsidiaries as sorted above⁽¹⁾:

	Total assets	Shareholders equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair
								value ⁽²⁾
1.	589.639	71.751	1.987	30.991	1.806	8.713	9.931	92.151
2.	496.600	144.892	5.286	20.021	3.883	43.134	14.828	323.818
3.	513.055	196.812	3.991	42.460	28.210	77.404	46.234	697.589
4.	890.132	768.500	580.723	11.549	3.659	31.511	12.066	590.794 ⁽³⁾
5.	2.030.845	292.207	1.038	106.065	-	16.503	21.897	406.645
6.	7.091	6.569	197	447	5	1.349	476	5.271
7.	921.600	168.164	32.157	44.483	4.890	5.626	1.119	-
8.	327.620	40.461	516	14.141	1	1.020	(261)	42.032

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 December 2013.

⁽²⁾ The information is presented from valuation reports as 31 December 2013.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş. has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul A.Ş.

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

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

(8) Information on subsidiaries (continued)

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	1.794.160	831.371
Movements during the period	540.103	962.789
<i>Purchases⁽¹⁾</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>	-	-
Share capital elimination of subsidiaries	(2.303.659)	(1.794.160)
Balance at the end of the period	30.604	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Purchases amounting to TRY 13.540 of TRY 167.590 consist payments to Ziraat Group due to purchase of 76% shares of Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. which is the associate of the Bank, from Ziraat Group (the shares of T.C. Ziraat Bank A.Ş. are 61%, the shares of Ziraat Finansal Kiralama A.Ş. is 15%). The payment of TRY 19.000 was made for the increase in capital of the Halk Faktoring A.Ş. and the payment of TRY 135.050 was made for the increase in capital of the Halk Finansal Kiralama A.Ş.

g) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	145.359	145.359
Insurance companies	1.021.407	730.461
Factoring companies	42.032	21.109
Leasing companies	406.645	200.980
Financing companies	-	-
Other financial subsidiaries	688.216	696.251

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ⁽¹⁾	914.612	245.245
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾The Parent Banks's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 15 February 2013 and the shares are traded on the Borsa İstanbul AŞ dated 22 February 2013.

(9) Information on jointly controlled entities (joint ventures):

None.

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

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

(10) Information on finance lease receivables (Net):

a) Maturity structure of investments on financial lease:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	551.818	434.994	330.266	259.213
Between 1-4 years	1.017.878	883.033	677.244	589.091
More than 4 years	396.245	375.729	240.259	225.913
Total	1.965.941	1.693.756	1.247.769	1.074.217

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	1.965.941	1.247.769
Unearned revenues from financial lease	(272.185)	(173.552)
Total	1.693.756	1.074.217

c) Information on receivables from non- performing loans of financial lease:

	Current period	Prior period
Financial lease receivables with limited collectability	39.764	7.876
Financial lease receivables with doubtful collectability	32.588	19.524
Uncollectible financial lease receivables	94.799	63.307
Specific provisions	(49.455)	(34.708)
Total	117.696	55.999

(11) Information on derivative financial assets for hedging purposes:

None.

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	1.021.913	27.458	(16.498)	(6.558)	1.026.315
Tangible assets purchased through financial lease	36.824	274	(4.845)	-	32.253
Office machines	254.618	81.393	(11.142)	-	324.869
Fixed assets obtained due to non-performing loans	455.684	162.167	(237.125)	94	380.820
Lease hold improvements costs	150.428	27.311	(30.908)	-	146.831
Other	268.228	23.774	(8.165)	(503)	283.334
Total Cost	2.187.695	322.377	(308.683)	(6.967)	2.194.422
Accumulated depreciation(-)					
Immovables	229.868	14.016	(596)	(1.542)	241.746
Tangible assets purchased through financial lease	34.211	679	(4.843)	-	30.047
Office machines	125.859	43.956	(10.072)	-	159.743
Fixed assets obtained due to non-performing loans	8.862	3.873	(4.050)	-	8.685
Lease hold improvements costs	69.915	30.315	(24.432)	-	75.798
Other	187.122	21.720	(4.041)	-	204.801
Total accumulated depreciation	655.837	114.559	(48.034)	(1.542)	720.820
Provision for impairment (-)					
Immovables	6.520	-	(904)	-	5.616
Fixed assets obtained due to non-performing loans	7.997	2.389	(5.702)	-	4.684
Total provision for impairment (-)	14.517	2.389	(6.606)	-	10.300
Net Book Value	1.517.341	205.429	(254.043)	(5.425)	1.463.302

Prior Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations^(*)	Disposals	Transfers	Balance at the end of the period
Cost:						
Immovables	936.476	190.908	5.533	(67.972)	(43.032)	1.021.913
Tangible assets purchased through financial lease	41.455	220	-	(4.851)	-	36.824
Office machines	198.778	78.597	900	(23.657)	-	254.618
Fixed assets obtained due to non-performing loans	356.167	166.263	-	(131.840)	65.094	455.684
Lease hold improvements costs	123.077	36.175	-	(8.824)	-	150.428
Other	248.429	21.947	1.117	(3.265)	-	268.228
Total Cost	1.904.382	494.110	7.550	(240.409)	22.062	2.187.695
Accumulated depreciation(-)						
Immovables	216.371	18.900	635	(1.596)	(4.441)	229.869
Tangible assets purchased through financial lease	37.680	748	-	(4.217)	-	34.211
Office machines	94.543	41.877	738	(11.298)	-	125.860
Fixed assets obtained due to non-performing loans	6.345	5.113	-	(2.738)	142	8.862
Lease hold improvements costs	50.451	26.315	-	(6.852)	-	69.914
Other	171.932	16.481	1.038	(2.330)	-	187.121
Total accumulated depreciation	577.322	109.434	2.411	(29.031)	(4.299)	655.837
Provision for impairment (-)						
Immovables	7.183	-	-	(597)	(66)	6.520
Fixed assets obtained due to non-performing loans	5.016	4.105	-	(1.124)	-	7.997
Total provision for impairment (-)	12.199	4.105	-	(1.721)	(66)	14.517
Net Book Value	1.314.861	380.571	5.139	(209.657)	26.427	1.517.341

(*) The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

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

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

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	67.522	21.069	2.484	-	86.107
Total Cost	67.522	21.069	2.484	-	86.107
Accumulated Depreciation(-)					
Other intangible assets	11.515	7.567	14	-	19.068
Total Accumulated Depreciation(-)	11.515	7.567	14	-	19.068
Net Book Value	56.007	13.502	2.470	-	67.039

Prior Period	Balance at the end of the prior period	Additions	Acquisitions through business combinations	Disposals	Transfers	Balance at the end of the period
Cost:						
Other intangible assets	52.255	17.203	519	(2.455)	-	67.522
Total Cost	52.255	17.203	519	(2.455)	-	67.522
Accumulated Depreciation(-)						
Other intangible assets	6.712	4.867	259	(323)	-	11.515
Total Accumulated Depreciation(-)	6.712	4.867	259	(323)	-	11.515
Net Book Value	45.543	12.336	260	(2.132)	-	56.007

(*) The effect of acquisitions through merger regarding the acquisition of Ziraat Bank AD Skopje which is a Turkish capital bank that operates in Macedonia by Halk Banka AD Skopje as of 1 October 2012 has been disclosed in the above table.

(14) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	28.156	-
Acquisitions	8.188	2.004
Transfer	-	26.152
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	36.344	28.156
Accumulated Depreciation		
Opening Balance	-	-
Amortization Charge (-)	-	-
Disposals	-	-
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
Net Book Value	36.344	28.156

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

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

(15) Information on tax assets:

a) Current tax assets:

None. (31 December 2012: TRY 255)

b) Deferred tax assets:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	127.384	102.686
Revaluation of Financial Assets	(124.952)	126.388
Other	3.502	4.692
Deferred Tax (Asset) /Liability:	5.934	233.766
Deferred tax accounted in shareholders' equity	21.755	(102.753)
Fair value differences for available for sale financial assets	25.436	(102.753)
Actuarial gains / losses	(3.681)	

(1) Provisions are comprised of the employee termination benefits and other provisions.

(16) Information on non-current assets held for sale:

	Current period	Prior period
Cost	8.164	6.821
Accumulated Depreciation (-) ⁽¹⁾	(1.193)	(812)
Net Book Value	6.971	6.009
Opening Balance	6.009	85.623
Acquisitions (Transfers) (Net)	6.967	(47.727)
Disposals (Net)	(5.822)	(32.829)
Impairment Charge/Cancellation(-)	198	(83)
Amortization Charge(-) ⁽¹⁾	(381)	1.025
Net Book Value	6.971	6.009

(1) The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.552.464 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.323.615).

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	3.284.266	-	341.488	23.669.564	1.353.617	395.438	633.612	122.789	29.800.774
Foreign currency deposits	3.588.581	-	1.631.774	12.280.604	4.930.815	2.396.805	3.139.084	13.049	27.980.712
<i>Residents in Turkey</i>	2.125.249	-	1.516.879	11.920.017	4.807.360	1.995.467	2.197.551	12.923	24.575.446
<i>Residents abroad</i>	1.463.332	-	114.895	360.587	123.455	401.338	941.533	126	3.405.266
Public sector deposits	2.524.920	-	724.063	4.901.027	496.489	197.956	81.705	-	8.926.160
Commercial inst. deposits	3.132.308	-	2.224.622	11.896.354	498.577	487.939	179.953	-	18.419.753
Other inst. deposits	560.173	-	65.145	1.859.320	256.623	378.779	113.618	-	3.233.658
Precious metals	2.016.818	-	-	-	-	-	-	-	2.016.818
Interbank deposits	3.585.113	-	3.727.382	1.816.514	343.404	68.108	476.783	-	10.017.304
<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>	3.129.531	-	1.302.203	844.179	263.220	63.899	476.668	-	6.079.700
<i>Participation banks</i>	432.751	-	-	-	-	-	-	-	432.751
Total	18.692.179	-	8.714.474	56.423.383	7.879.525	3.925.025	4.624.755	135.838	100.395.179

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	2.563.522	-	335.368	20.810.899	2.373.604	406.168	681.048	114.646	27.285.255
Foreign currency deposits	3.058.762	-	1.299.703	8.727.684	2.008.067	1.111.080	2.101.243	11.144	18.317.683
<i>Residents in Turkey</i>	2.379.395	-	1.203.937	8.490.388	1.827.782	785.953	1.434.000	11.006	16.132.461
<i>Residents abroad</i>	679.367	-	95.766	237.296	180.285	325.127	667.243	138	2.185.222
Public sector deposits	2.212.833	-	602.583	4.195.036	374.235	17.313	34.467	-	7.436.467
Commercial inst. Deposits	2.146.606	-	1.168.876	6.704.188	2.119.078	173.019	65.477	-	12.377.244
Other inst. Deposits	391.063	-	2.538.913	1.050.647	668.794	317.580	72.618	-	5.039.615
Precious metals	1.922.607	-	-	-	-	-	-	-	1.922.607
Interbank deposits	3.800.718	-	2.327.209	542.250	139.245	437.281	173.949	-	7.420.652
<i>Central Bank of Turkey</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	3.793	-	158.095	82.230	135.683	81.040	-	-	460.841
<i>Foreign banks</i>	3.713.587	-	2.169.114	460.020	3.562	356.241	173.949	-	6.876.473
<i>Participation banks</i>	83.338	-	-	-	-	-	-	-	83.338
Total	16.096.111	-	8.272.652	42.030.704	7.683.023	2.462.441	3.128.802	125.790	79.799.523

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	13.430.329	11.528.066	13.914.829
Foreign currency saving deposits	5.836.594	3.883.949	7.332.125	7.116.286
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	86.977	80.179	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current period	Prior period
Foreign branches' saving deposits and other accounts	144.674	130.342
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.762	2.764
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	4	31.123	-	4.702
Swap transactions	-	22.024	-	45.427
Future transactions	-	-	-	-
Options	30	311	14	139
Other	-	-	-	-
Total	34	53.458	14	50.268

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	659.666	932.889	267.204	178.167
Foreign banks, institutions and funds	485.457	13.008.340	317.849	7.267.850
Total	1.145.123	13.941.229	585.053	7.446.017

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	619.697	7.851.679	234.633	4.017.721
Medium and long-term	525.426	6.089.550	350.420	3.428.296
Total	1.145.123	13.941.229	585.053	7.446.017

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposit, which is composed of 30 % of saving deposits and 28 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 60% of banks deposits and 33 % of other deposits consist of foreign currency deposits.

Information on funds provided from repurchase agreement transactions:

	Current period		Prior period	
	TRY	FC	TRY	FC
From domestic transactions	779.093	-	106.907	-
<i>Financial inst. and organizations</i>	713.833	-	8.966	-
<i>Other institutions and organizations</i>	33.987	-	36.784	-
<i>Real persons</i>	31.273	-	61.157	-
From overseas transactions	203	-	278	308.654
<i>Financial inst. and organizations</i>	-	-	-	308.654
<i>Other institutions and organizations</i>	-	-	-	-
<i>Real persons</i>	203	-	278	-
Accruals	236	-	12	1.568
Total	779.532	-	107.197	310.222

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	845.573	-	685.137	-
Bonds ^{(2), (3)}	87.706	3.218.387	87.674	1.346.168
Total	933.279	3.218.387	772.811	1.346.168

⁽¹⁾ As of 27 December 2013, the treasury bills amounting to TRY 1.000.000 with maturity of 175 days are issued by the Parent Bank.

⁽²⁾ As of 19 July 2012, the bonds amounting to USD 750.000 with maturity of 5 years and as of 5 February 2013 the bonds amounting to USD 750.000 with maturity of 7 years are issued by Bank

⁽³⁾ As of 25 September 2012, the bonds amounting to TRY 100.000 with maturity of 24 months are issued by the Halk Leasing.

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	17.957	1.470.585	9.624	1.398.263

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.356.677 and does not exceed 10% of the balance sheet total (31 December 2012: TRY 1.342.153).

(7) Information on finance lease payables (Net):

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	1.142.413	976.215
Provisions for first group loans and receivables	972.257	847.278
<i>Additional provisions for the loans with extended payment plan</i>	<i>15.179</i>	<i>28.583</i>
Provisions for second group loans and receivables	90.911	66.468
<i>Additional provisions for the loans with extended payment plan</i>	<i>74.253</i>	<i>53.421</i>
Provisions for non cash loans	79.245	62.469
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None.

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2013, the Bank's specific provision for unindemnified non-cash loans balance is TRY 69.008 (31 December 2012: TRY 62.896). TRY 2.377 (31 December 2012: TRY 2.483) of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Total other provision balance amounting to TRY 253.319 (31 December 2012: TRY 455.383) consists of TRY 69.008 (31 December 2012: TRY 62.896) for specific provisions for unindemnified non cash loans, TRY 26.222 (31 December 2012: TRY 29.112) for legal cases filed against the Bank, TRY 132.231 (31 December 2012: TRY 328.300) provision for prudence in consideration for any changes that may arise in the economy and the market, TRY 25.858 (31 December 2012: TRY 35.176) of other provisions.

e) Movement of employee termination benefits:

The Parent Bank's severance indemnity provision is calculated by an independent company by using the severance indemnity provision as of 31 December 2013 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation, according to TAS 19, is as follows;

	Current Period⁽¹⁾	Prior Period
Discount Rate	%9,80	%7,63
Inflation Rate	%6,40	%5,00
Wage growth	%3,20	%2,63
Estimated Real Wage Growth Rate	%6,60	%5,20

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

(9) Explanations on provisions: (continued)

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	295.809	227.040
Charge for the year	25.997	18.312
Interest Expense	21.859	21.263
Actuarial gain/loss	(18.126)	49.782
Payment/The limitation of benefits/ Loss (Gain) because of discharge	3.282	7.700
Benefits paid within the period(-)	(30.029)	(28.288)
Total	298.792	295.809

As of 31 December 2013, the Group's unused vacation provision is TRY 113.617 and severance indemnity provision for outsource firms is TRY 8.026. This amount is followed under employee benefits provision under liabilities (31 December 2012: TRY 103.247 TL for unused vacation provision; TRY 6.609 for severance indemnity provision for outsources firms).

As of 1 January 2013, the Group's actuarial gains and losses are recognized and accounted in shareholders' equity.

f) Liabilities on pension rights

f.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial report prepared as of 31 December 2013 and 31 December 2012, no technical deficit has been reported. Besides, no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı, T.C. Ziraat Bankası and T. Halk Bankası Çalışanları Emekli Sandığı Vakfı has been reported as of 31 December 2012 and 31 December 2011.

g) Explanations related to Insurance technical reserves (Net):

	Current period	Prior period
Life-Mathematical Provisions	225.567	187.741
Provisions for unearned premium claims	175.630	180.963
Provision for outstanding claims	134.474	91.323
Provisions for unexpired risk reserves	-	85
Other	612	42
Total	536.283	460.154

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2013, the Group's corporate tax payable is amounting to TRY 62.701 after setting off TRY 213.969 of prepaid taxes from TRY 276.670 of corporate tax liabilities tax provision.

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

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

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	62.701	379.523
Income on securities tax	72.050	65.642
Property income tax	773	628
Banking and insurance transactions tax (BITT)	36.893	35.039
Foreign exchange transactions tax	11	3
Value added tax payable	277	3.867
Other	21.639	18.106
Total	194.344	502.808

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	421	284
Social insurance premiums-employer	402	463
Bank social aid pension fund premium-employee	5.205	4.462
Bank social aid pension fund premium-employer	7.205	6.211
Pension fund membership fees-employee and provisions-employee	-	1
Pension fund membership fees-employer and provisions-employer	14	2
Unemployment insurance-employee	17	15
Unemployment insurance-employer	41	41
Other	2.671	1.369
Total	15.976	12.848

b) Explanations regarding deferred tax liability:

As of 31 December 2013, the Group has TRY 10.837 of deferred tax liability.
(31 December 2012: TRY 2.456)

(11) Information on liabilities regarding assets held for sale and discontinued operations:
None.

(12) Explanations on the number of subordinated loans the Parent Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:
None.

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

(13) Information on shareholders' equity: (continued)

b) Application of registered capital system and registered capital ceiling amount:

None.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

The Group has sustainable profitability structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	16.729	-	-	-
Revaluation difference	(158.355)	(143.043)	357.153	49.710
Exchange rate difference	-	-	-	-
Total	(141.626)	(143.043)	357.153	49.710

i) Information on legal reserves:

	Current period	Prior period
First Legal Reserves	630.421	514.816
Second Legal Reserves	442.849	398.280
Legal reserves appropriated in accordance with the law	2.676	1.856
Total	1.075.946	914.952

j) Information on the extraordinary reserves

	Current period	Prior period
Reserves appropriated by General Assembly	6.838.498	4.957.790
Retained Earnings	149.403	66.880
Accumulated Reserves	-	-
Foreign Currency Translation Differences (-)	-	-
Total	6.987.901	5.024.670

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

(14) a) Information on minority interest shares:

	Current Period	Prior period
Paid-in capital	134.835	4.206
Export Premium	11.085	199
Marketable Securities Revaluation Fund	(85)	23
Legal Reserves	707	119
Extraordinary Reserves	6.254	491
Retained Earnings	(186)	(883)
Other Profit Reserves	310	(90)
Net Period Income / Loss	10.027	697
Closing Balance	162.947	4.762

b) Movement of minority interest shares:

	Current Period	Prior period
Beginning Balance	4.762	6.840
Change in Minority Interest	148.158	(2.775)
Net Period Income / Loss	10.027	697
Closing Balance	162.947	4.762

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

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	9.896.720	6.021.405
Payment commitments for cheques	4.670.295	4.575.929
Loan granting commitments	1.572.258	1.053.442
Two days forward foreign exchange buy/sell transactions	1.461.853	1.309.055
Commitments for credit cards and banking services promotions	37.663	30.707
Tax and fund liabilities from export commitments	13.413	13.903
Other irrevocable commitments	1.711.506	1.427.159
Total	19.363.708	14.431.600

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Letters of credit	3.825.259	2.809.737
Bank acceptance loans	1.944.803	1.183.307
Other guarantees	956.431	551.962
Total	6.726.493	4.545.006

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	10.645.927	7.205.696
Letters of advance guarantees	1.697.143	1.715.752
Letters of tentative guarantees	747.085	1.036.387
Letters of guarantee given to customs offices	925.226	399.607
Other letters of guarantee	6.378.555	4.856.417
Total	20.393.936	15.213.859

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	423.414	376.921
<i>Within one year or less original maturity</i>	70.295	13.319
<i>Within more than one year maturity</i>	353.119	363.602
Other non-cash loans	26.697.015	19.381.944
Total	27.120.429	19.758.865

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III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	1.210	0,01	15.850	0,16	7.575	0,08
<i>Farming and raising livestock</i>	14.453	0,11	1.120	0,01	13.616	0,14	7.416	0,07
<i>Forestry</i>	362	0,00	0	0,00	311	0,00	0	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	7.875.942	55,04	2.497.573	25,59	5.431.305	54,32
<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	6.811.081	47,60	1.913.354	19,61	5.056.865	50,57
<i>Electric, gas and water</i>	864.820	6,75	966.057	6,75	531.942	5,45	257.255	2,57
Construction	3.385.711	26,43	2.624.856	18,35	2.911.411	29,83	2.232.215	22,32
Services	6.246.790	48,76	3.601.003	25,16	4.231.887	43,36	2.277.926	22,78
<i>Wholesale and retail trade</i>	2.619.589	20,45	1.677.496	11,72	1.724.829	17,67	1.144.892	11,45
<i>Hotel, food and beverage services</i>	56.412	0,44	42.897	0,30	52.285	0,54	9.853	0,10
<i>Transportation and telecommunication</i>	98.138	0,77	236.564	1,65	111.747	1,15	41.520	0,42
<i>Financial Institutions</i>	2.567.595	20,04	598.306	4,18	1.951.977	20,00	574.376	5,74
<i>Real estate and renting services</i>	838.794	6,55	1.025.396	7,17	351.881	3,61	491.139	4,91
<i>Self-employment services</i>	9.511	0,07	1268	0,01	8.836	0,09	327	0,00
<i>Education services</i>	8.131	0,06	8.918	0,06	5.348	0,05	3.135	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	0,84	204.935	1,44	102.537	1,05	50.586	0,51
Total	12.812.483	100,00	14.307.946	100,00	9.759.258	100,00	9.999.607	100,00

c.2) Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	12.586.076	14.137.365	226.407	170.581
Letters of guarantee	12.010.732	7.989.972	226.407	166.825
Bank acceptances	90.489	1.853.368	-	946
Letters of credit	2.062	3.820.387	-	2.810
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	482.793	473.638	-	-

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III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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)	19.538.631	8.891.410	-	-
Forward foreign currency buy/sell transactions	1.903.482	1.380.800	-	-
Currency buy/sell swap	17.384.112	7.229.476	-	-
Currency futures	-	-	-	-
Currency put/call options	251.037	281.134	-	-
Interest related derivative transactions (II)	1.356.800	-	-	-
Interest rate contracts	-	-	-	-
Interest rate buy/sell swap	1.356.800	-	-	-
Interest rate put/call options	-	-	-	-
Interest rate buy/sell futures	-	-	-	-
Other trading derivative transactions (III)⁽¹⁾	155.323	684.833	-	-
A. Total trading derivative transactions (I+II+III)	21.050.754	9.576.243	-	-
Types of derivative transactions for risk management				
Fair value fluctuations hedge	-	-	-	-
Cash flow risk hedge	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total derivative transactions for hedging	-	-	-	-
Total derivative transactions (A+B)	21.050.754	9.576.243	-	-

⁽¹⁾ Other trading derivatives include credit default swap purchases and sale transactions amounting TRY 5.873 and TRY 149.450 respectively.

d) Information on contingent liabilities and assets:

The Group has provided TRY 26.222 (31 December 2012: TRY 29.112) of provision for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

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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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	1.677.994	124.983	1.971.246	171.723
Medium and long term loans	4.210.256	1.072.079	3.660.297	857.673
Interest on non-performing loans	62.109	574	79.709	533
Premiums from resource utilization support fund	-	-	-	-
Total	5.950.359	1.197.636	5.711.252	1.029.929

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	11.530	3.845	5.794	1.855
Overseas banks	2.768	2.070	1.347	3.310
Head office and branches	-	-	-	-
Total	14.298	5.915	7.141	5.165

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	4.783	614	2.962	883
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	668.112	126.506	755.604	70.951
Held-to-Maturity Investments	1.276.029	13.779	1.321.921	115.694
Total	1.948.924	140.899	2.080.487	187.528

d) Interest income from associates:

	Current period	Prior period
Interest income and commissions from associates	8	11

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	35.313	197.952	29.770	139.833
<i>Central Bank of Turkey</i>	1	-	-	-
<i>Domestic banks</i>	26.940	17.726	25.132	11.268
<i>Overseas banks</i>	8.372	180.226	4.638	128.565
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	26.698	-	12.755	1.220
Total	62.011	197.952	42.525	141.053

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	1.797	3.660

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	50.737	130.174	68.631	29.659
Total	50.737	130.174	68.631	29.659

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	67	59.529	16.321	4.946	576	-	-	-	81.439
Saving deposits	6	17.960	1.570.567	124.013	36.379	52.896	8.323	-	1.810.144
Public deposits	513	44.393	263.303	24.851	1.071	886	-	-	335.017
Commercial deposits	10	98.613	555.369	76.974	57.604	14.314	-	-	802.884
Other deposits	2	20.134	98.870	35.186	26.901	9.667	-	-	190.760
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	598	240.629	2.504.430	265.970	122.531	77.763	8.323	-	3.220.244
Foreign currency									
Deposits	300	30.410	263.615	122.403	41.841	91.223	-	-	549.792
Bank deposits	3	30.710	-	-	178	-	-	-	30.891
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-	-
Total	303	61.120	263.615	122.403	42.019	91.223	-	-	580.683
Grand total	901	301.749	2.768.045	388.373	164.550	168.986	8.323	-	3.800.927

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	2.145	622
Other	9.635	136
Total	11.780	758

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	13.021.384	8.290.818
Profit from the capital market operations	333.534	392.870
Profit on derivative financial instruments	2.532.046	1.455.553
Foreign exchange gains	10.155.804	6.442.395
Loss (-)	12.774.593	7.734.927
Loss from the capital market operations	10.441	3.956
Loss on derivative financial instruments	2.069.932	1.662.605
Foreign exchange losses	10.694.220	6.068.366

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	2.532.046	1.455.553
Effect of the change in foreign exchange on profit	2.512.148	1.455.553
Effect of the change in interest rate on profit	19.898	-
Loss on derivative financial instruments (-)	2.069.932	1.662.605
Effect of the change in foreign exchange on loss	2.060.160	1.601.565
Effect of the change in interest rate on loss	9.772	61.040
Profit/loss on derivative financial instruments	462.114	207.052

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses ^(*)	645.300	204.622
Life insurance income	591.444	363.665
Receivable from the asset sale on credit terms	86.627	118.796
Rent income	23.283	6.026
Other income	15.645	40.153
Total	1.362.299	733.262

^(*)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 CONSOLIDATED INCOME STATEMENT (continued)

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	439.980	385.824
<i>Group - III loans and receivables</i>	248.212	261.648
<i>Group - IV loans and receivables</i>	111.299	37.967
<i>Group - V loans and receivables</i>	80.469	86.209
General loan provision expenses	325.238	316.301
Provision expenses for possible losses	-	134.300
Marketable securities impairment losses	13	6.548
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	13	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 ^(*)	122.385	57.926
Total	887.616	900.899

^(*)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	1.158.645	889.729
Reserve for employee termination benefits	52.854	98.692
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	110.686	104.321
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	7.567	4.867
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	1.365	3.514
Amortization expenses of assets that will be disposed of	3.873	5.113
Impairment expense for property and equipment held for sale	59	7
Other operating expenses	1.088.145	794.492
<i>Operational leasing expenses</i>	131.490	111.560
<i>Maintenance expenses</i>	26.271	16.354
<i>Advertisement expenses</i>	149.566	97.252
<i>Other expenses</i>	780.818	569.326
Loss on sales of assets	1.487	458
Other	660.481	495.440
Total	3.085.162	2.396.633

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

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

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
- The Group's income before tax is due from continuing activities. TRY 4.993.550 of the income before tax consists of net interest income, TRY 852.825 of the income before tax consists of net fees and commissions. The net operating profit before tax of the Group is amounting to TRY 3.506.382.
- (9) Information on tax provisions for continuing and discontinued operations:
- For the year ended 31 December 2013, the Bank's tax provision amounting to TRY 653.657 consists of TRY 301.317 of current tax charge and TRY 352.340 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
- For the year ended 31 December 2013; the Bank's net operating income after tax is amounting to TRY 2.852.725.
- (11) Information on net profit/loss from continuing and discontinued operations:
- a) Income and expenses from ordinary banking operations: There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2013 and 31 December 2013.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 1.219.415 thousands for the year 2013. The “other” item under operating income composes of fees and commissions paid and other operating income excluding employee costs and other operating expenses, and amounts to TRY 3.504.710 thousands cash out for the year 2013.

For the year ended 31 December 2013, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 638.106 increase (31 December 2012: TRY 521.045, decrease).

- (2) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Period beginning cash and cash equivalents balance:

	Current period	Prior period
Cash	12.517.078	7.287.733
<i>Cash in TRY and foreign currency</i>	693.316	486.600
<i>Central Bank and others⁽¹⁾</i>	11.823.762	6.801.133
Cash equivalents	2.750.971	1.572.018
<i>Demand and Time Deposits Up to 3 Months</i>	2.588.437	1.538.705
<i>Money Market Placements</i>	162.534	33.313
Total cash and cash equivalents	15.268.049	8.859.751
Reserve deposits in Central Bank	(9.870.896)	(3.975.813)
Bank blockage balance ⁽²⁾	(140.697)	(96.889)
Accruals on money market placement	(34)	(56)
Accruals on banks	(1.728)	(3.027)
Cash and Cash Equivalents	5.254.694	4.783.966

(1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 120.162, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked. Technical reserves of Halk Sigorta AŞ. amounting to TRY 20.535, which is given as collateral to Under secretariat of Treasury of Republic of Turkey, holds blocked.

- (5) Period ending cash and cash equivalents balance:

	Current Period	Prior Period
Cash	20.021.395	12.517.078
<i>Cash in TRY and foreign currency</i>	816.075	693.316
<i>Central Bank and others⁽¹⁾</i>	19.205.320	11.823.762
Cash Equivalents	2.133.459	2.750.971
<i>Demand and Time Deposits Up to 3 Months</i>	1.902.775	2.588.437
<i>Money Market Placements</i>	230.684	162.534
Cash and Banks	22.154.854	15.268.049
Reserve deposits in Central Bank	(15.470.667)	(9.870.896)
Bank blockage balance ⁽²⁾	(161.784)	(140.697)
Accruals for money market placement	(211)	(34)
Accruals for banks	(2.611)	(1.728)
Total Cash and Cash Equivalents	6.519.581	5.254.694

(1) Others items include cheques received and blocked reserve deposits kept in Central Bank of Macedonia.

(2) Technical reserves of Halk Hayat ve Emeklilik AŞ. amounting to TRY 135.667, which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury, holds blocked. Also, Halk Sigorta AŞ. has blockage balance amounting to TRY 26.107 which is given as collateral to Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

(1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	2.726	-	-	-	-
Closing balance	-	1.119	-	-	-	-
Interest and commissions income	-	8	-	-	-	-

b) Prior period:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Parent Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	-	4.477	-	-	-	-
Closing balance	-	2.726	-	-	-	-
Interest and commissions income	-	11	-	-	-	-

c.1. Deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
	Deposits					
Beginning balance	23.690	84.030	-	-	-	-
Closing Balance	34.651	23.690	-	-	-	-
Interest expense on deposits	1.797	3.660	-	-	-	-

c.2. Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

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

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

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The Parent Bank's branches may operate as insurance agencies of Halk Sigorta AŞ ile Halk Hayat ve Emeklilik AŞ and business agencies for Halk Yatırım Menkul Değerler AŞ. Besides, Halk Portföy Yönetimi AŞ is engaging in fund management of the Parent Bank's funds.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	1.119	%0,00
Deposits	34.651	%0,03
Forward and option contracts	-	-
Banks and financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:
Explained in b).

d) Transactions accounted under the equity method:

Demir-Halkbank NV, operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 15.867 as of 31 December 2013 (31 December 2012: TRY 12.804).

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

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

- (1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of employees	Country	Total Assets	Legal Capital
Domestic Branches	872	14.754			
Agencies Abroad	1	2	Tahran/İRAN		
Overseas Branches	4	21	Lefkoşa/KKTC	250.303	50.000
		8	Gazimagosa/KKTC	31.822	-
		8	Girne/KKTC	38.994	-
		2	Paşaköy/KKTC	623	-
Off-shore Branches	1	3	Manama/BAHREYN	8.950.738	-

- (2) Explanations on branch and agency openings or closings of the Parent Bank:

The Parent Bank opened 56 domestic branches during the year.

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Mr. Ali Fuat TAŞKESENLİOĞLU has been appointed as a new member of the Board of Directors in accordance with the decision of the Board of Directors meeting of the Parent Bank held on 6 February 2014, following the decease of Mr. Ahmet KAHRAMAN in order to submit first General Assembly for acceptance and getting the approval from Banking Regulation and Supervision Board in respect of appointment of Mr. Ali Fuat TAŞKESENLİOĞLU 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 TAŞKESENLİOĞLU as the Chief Executive Officer.

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SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE PARENT BANK’S OPERATIONS

The Istanbul Chief Public Prosecutor’s Office has included Mr. Süleyman ASLAN, who is the member of the Board of Directors (former Chief Executive Officer) of the Parent Bank to the scope of the judicial inquiry which is known in the public and demanded information and documents from the Bank about this investigation.

The transactions that might be considered in the scope of the judicial inquiry have been inspected and audited comprehensively by the Board of Inspectors of the Parent Bank. There is no finding on any significant case that might influence the financial statements of the Parent Bank according to the report prepared by the Board of Inspectors of the Parent Bank. The auditors of the BRSA made also an examination regarding this issue and there is not any negative opinion or problematical transaction conveyed to the Parent Bank by BRSA.

According to Board of Director of the Parent Bank’s decision made on the 6 February 2014, Mr. Ali Fuat TAŞKESENLIOĞLU has been elected as a Member of the Board, pursuant to the Turkish Commercial Code Article 363 for the vacant Board Membership due to decease of Mr. Ahmet Kahraman. Mr. Ali Fuat TAŞKESENLIOĞLU has started his position as Member of the Board on 7 February 2014. The title of the CEO has been taken from Mr. Süleyman ASLAN and Mr. Ali Fuat TAŞKESENLIOĞLU is assigned as Chief Executive Officer of Halkbank as per to the approval of BRSA and the resolution of the Board of Directors of the Parent Bank dated 7 February 2014.

In its announcement on the Public Disclosure Platform dated 23 December 2013 and 13 January 2014 the Board of Directors of the Parent Bank has informed the public and the investors, that the Parent Bank does not have any business operations or transaction in contradiction with the national and international regulations and there is no undertaken review or investigation regarding the related authorities in relation to the Parent Bank’s legal entity, and further, that the Parent Bank is continuing and will continue its activities, as it has done in the past, uninterrupted and in line with all national and international regulations.

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SECTION VII: INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Parent Bank as of and for the year ended 31 December 2013 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 5 March 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

We draw attention to the judicial inquiry about Mr. Süleyman ASLAN (former Chief Executive Officer of the Parent Bank) as explained by the Board of Directors in the Section VI. This issue is not qualifying our opinion presented in the introduction part.