

ANNUAL REPORT 2013



İŞBANK

İşbank is the largest bank of Turkey in terms of total assets, total loans and shareholders' equity as of 2013 year-end.

Being one of the symbols of the Turkish Republic, İşbank undertook the mission of producing permanent value to economic and social life since its foundation. Working for Turkey for 89 years, İşbank constitutes a true role model for sustainability.

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Corporate Profile

Turkey's Leading Bank

With TL 210.5 billion in total assets, İşbank is Turkey's largest bank.

İşbank is the largest bank in the sector in terms of total assets, total loans and shareholders' equity. It is also the leader in deposits among privately-owned banks.

İşbank constantly undertakes to meet its customers' needs quickly and effectively with extensive service through the largest privately-owned branch network (1,309 branches) and the Turkish banking sector's largest domestic ATM network (5,673 Bankamatiks).

Extensive Service Network

With an extensive service network, İşbank provides service to approximately 16 million customers.

At the end of 2013, İşbank is at service of approximately 16 million customers in the corporate, commercial, SME, retail and private banking segments through:

- 1,289 domestic and 20 overseas branches
- 5,673 domestic ATMs (Bankamatiks)
- Internet Banking
- Mobile Banking channels.

A Sustainable and Robust Financial Structure

A robust financial structure that supports sustainability...

Shareholders' equity worth TL 23.6 billion supported expansion in İşbank's business volume and has been instrumental in enabling the Bank to continue its investment strategy.

As of 2013 year-end İşbank's capital adequacy ratio was 14.4%, significantly above regulatory requirements.

İşbank adopted a provisioning policy according to the legally required ratios stipulated by the Banking Regulation and Supervision Agency (BRSA) for non-performing loans. As of 2013 year-end, İşbank's NPL coverage ratio was 80.4%, above the Turkish banking sector.

→ TL 210.5 billion

İşbank is Turkey's largest bank with total assets worth TL 210.5 billion.

→ TL 134.8 billion

İşbank's total loan volume was realized at TL 134.8 billion in 2013.

A Brand Identified with Trust, Dignity and Reputation

İşbank brand which is identified with trust, dignity and reputation in society has also a strong positioning abroad.

İşbank supports Turkish society and manufacturers in the domestic and international arena since 1924.

İşbank is also an effective service provider in foreign trade and international finance transactions. Under the scope of sound cooperation developed with creditor institutions, the Bank successfully secures foreign funds and provides local services to the Turkish business community through its international service network.

In 2013, İşbank has been the bank with the highest rank among Turkish banks at "The World's Greatest 1,000 Banks" list published by The Banker magazine.

A Broad Shareholder Base

İşbank's one of the most important assets is its broad shareholder base.

İşbank has a broad-based shareholder structure consisting of more than 200,000 shareholders and institutional investors.

Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Personnel Supplementary Pension Fund), a fund which has a membership of about 50,000 current and retired bank employees, holds 40.2% of İşbank's capital.

Contribution to Social Development

İşbank runs a number of social responsibility activities contributing to social development.

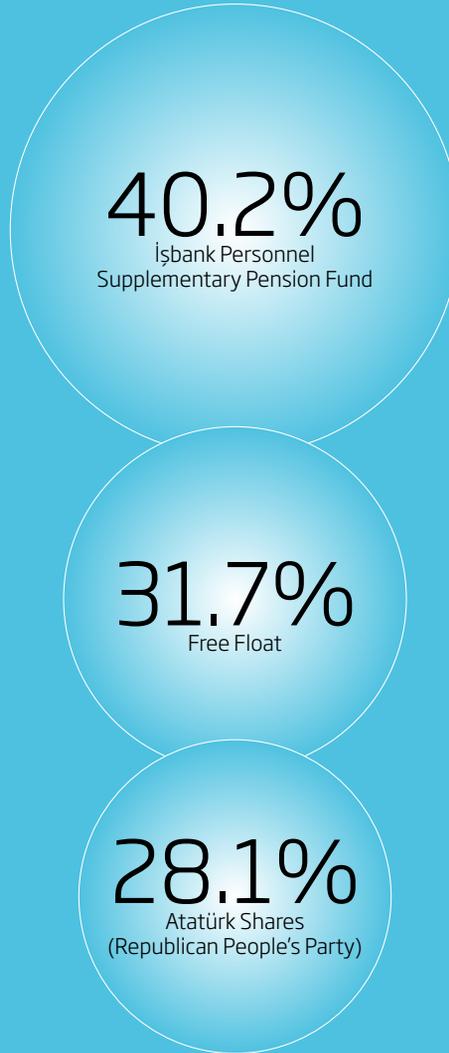
İşbank accepts corporate social responsibility as a highly valuable and fundamental tool in complimenting its economic mission.

İşbank carries out projects that are designed to make a difference in the fields of education, environment, culture and arts and that aims to reach a wide range of society.

İşbank in Figures

İşbank plays a crucial role in the national economy by funding the real sector, generating employment and providing financial products and services with high added value. With the product and service solutions which meet the financial needs of millions of individuals and enterprises, the Bank plays an important role in shaping the future.

Shareholder Structure as of 31 December 2013



Amendments in the Articles of Incorporation

In order to maintain compatibility with the amended Turkish Commercial Law and other legislation, Articles 12, 23, 24, 32, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 53, 54, 56, 57, 65, 66 and 67 were amended, and articles 68 and 69 were added into the Articles of Incorporation in the Annual General Meeting dated 29 March 2013. The former version of the articles, the revised version of the articles and the newly added articles can be found on pages 308-315 of this Annual Report.

Under the volatile and changing market conditions of 2013, İşbank continued to support the Turkish economy by offering high value added products and services to its customers.

→ TL 3,163 million

İşbank posted a net profit of TL 3,163 million in 2013.

→ 14.4%

İşbank's capital adequacy ratio stood at 14.4% as of 2013 year-end.

Key Financial Highlights (TL Million)

	31.12.2012	31.12.2013	Change (%)
Total Assets	175,444	210,500	20.0
Loans	106,716	134,843	26.4
Deposits	105,383	120,975	14.8
Shareholders' Equity	22,719	23,579	3.8
Net Profit	3,310	3,163	-4.4

Key Financial Ratios (%)

	31.12.2012	31.12.2013
Interest Earning Assets ^(*) / Total Assets	91.4	92.2
Loans / Total Assets	60.8	64.1
Loans / Deposits	101.3	111.5
NPL Ratio	1.9	1.6
NPL Coverage Ratio	78.9	80.4
Demand Deposits / Total Deposits	19.9	21.2
Shareholders' Equity / Total Liabilities	12.9	11.2
Capital Adequacy Ratio	16.3	14.4

^(*) Interest earning assets include TL and FC legal reserves.

İşbank's Vision, Objectives and Strategy

Our Vision

To be the most preferred bank in Turkey by customers, shareholders and employees by maintaining our leading, pioneering and trusted position as the regional financial power

Our Objectives

For our customers;

- to be the bank that is the most preferred service provider in all the sectors and customer groups that we target
- to provide our customers comprehensive, reliable and high-quality service by means of our competent employees, extensive branch network and non-branch banking channels
- to abide by our high business ethics and principles without compromise

For our shareholders;

- to consistently increase the value of our shares
- to operate with effective risk management

For our employees;

- to be a preferred employer and offer employees programs and training opportunities that will foster their personal and professional development
- to propagate our customer-focused approach among all our personnel
- to support and encourage loyalty, assuming responsibility and creativity
- to deploy an employee hiring, evaluation, appointment and advancement system that is based on competencies and performance and that is fair and trustworthy

In summary,

İşbank's goal is to consistently increase the value it creates for its shareholders as a bank that responds to its customers' needs quickly, effectively and with high-quality solutions and that encourages its employees to achieve a high level of performance in their jobs.

Our Values

Our values that represent our corporate identity, that guide us to reach our vision and goals, and that are internalized by our employees as their way of life are as follows:

- To be honest and trustworthy,
- To be leading, pioneering and innovative,
- To be customer oriented with a strong focus on high quality,
- To be respectful to society, human rights and environment and
- To be transparent.

Our Strategy

Our strategy is sustainable and profitable growth based on “the bank closest to customers” philosophy in an effort to fulfill our vision and objectives.

İşbank Since 1924

The Bank has played a vital role by fostering a sense of thrift in Turkish society.

In keeping with its founding mission, İşbank aimed to accept even the smallest savings and to put them toward economic development. The Bank has played a vital role by fostering a sense of thrift in Turkish society.

Beginning to expand of its country-wide branch network upon its formation, İşbank was also the first Turkish bank to establish branches abroad, with its first international branches opening in 1932 in Hamburg, Germany and Alexandria, Egypt.

In the 1950s, İşbank focused attention on developing a targeted portfolio of equity stakes.

As İşbank's equity participations became drivers of Turkish industry, the Bank supplied resources in the form of capital and financing to a number of business lines with a particular focus on the manufacturing industries. In the 1960s and 1970s, İşbank accelerated the pace of its branch network expansion at the national level. In the 1980s, the Bank focused on increasing the number of its international branches.

At İşbank, the 1980s were characterized by the growing importance of multichannel banking and the Bank started offering an even broader range of products to customers.

In 1982, İşbank introduced the first ATMs to the Turkish market. Its ATM, named "Bankamatik" became the generic name for such machines in Turkey.

İşbank further solidified its position as the sector's pioneering bank in alternative distribution channels when it launched the country's first telephone banking service with its "Blueline" ("Mavi Hat") product in 1991, and its first online branch in 1997.

In subsequent years, İşbank continued to progress by enhancing the quality of its services and by developing products tailored to customers' expectations. In parallel with these innovations, the Bank concentrated on R&D activities and made maximum use of new technology.

Sustaining strong and stable growth, İşbank relocated its headquarters from Ankara to Istanbul in 2000.

In 2006 İşbank initiated its Customer-Centric Transformation ("MOD") program, aimed at restructuring the Bank with a customer-focused approach. Under this program, many projects that resulted in truly revolutionary changes were successfully completed.

In line with rapid advances in technology, İşbank continued to improve its innovative multi-channel banking network, allowing its customers to utilize the most suitable alternative distribution channel to perform any banking transaction conveniently, quickly and reliably, 24 hours a day, 7 days a week.

Aiming to strengthen its presence in the global markets, İşbank closely monitors markets in Turkey's neighboring region. İşbank widened its network of international services with new branches in 2011, and purchased a Moscow based bank which began to operate under the name İşbank Russia. İşbank continued observations related to the development of its international service network in 2013 as well.

Firsts and Innovations

İşbank pioneered the sector to meet the banking and financial needs of individuals and companies by introducing numerous firsts throughout its 89 years corporate history.

- Introduced child's coin bank to Turkish society to trigger and generate a mainstream trend towards saving.
- The first use of checks as a convenient way to make regular payments
- The launch of electronic banking in Turkey, with the introduction of Turkey's first ATMs
- The first Turkish bank to open branches in Cyprus and Europe
- The first investment account service in the Turkish financial services industry
- Launched Turkey's first mutual fund.
- The first trading services of investment securities at a bank in Turkey
- Initiated the first interactive telephone banking service.
- The first online branch
- The first WAP mobile banking service
- First application-based native mobile banking service (İşCep) for customers.
- The first term deposit product for customers in Turkey, "Floating Account" whose yields are indexed to the TRLIBOR market,
- Turkey's first social responsibility-focused mutual fund, "Environmentally Responsible Fund," investing in environmentally friendly companies
- "Environmentally-Friendly Home Loan" a retail credit product launched to support the growth and development of environment-friendly technologies in the housing industry
- Mobile signature, enabling customers to pay off loans without having to go to a branch and to withdraw cash without using a bank or credit card
- A multi-touch featured application, "Getiri Sihirbazı" ("Return Comparison Wizard") that enables customers to compare yields on financial products
- "İş'te Yatırım iPhone," an iPhone application that allows users to monitor Borsa İstanbul information in real time
- A Video Telephone Banking application that makes use of third-generation (3G) mobile telephone technology
- "Mobile Key (Cep Anahtar)," a mobile phone application that strengthens the transaction security of online branch and mobile banking channels and also enables cash withdrawals from İşbank ATMs without the need of a card
- The World's first Bio-ID POS using fingervein-ID to authenticate a user's identity
- An interactive messaging system that transforms POS terminals into two-way communication channels
- "Üstü Kalsın" ("Keep the Change"), an innovative application that contributes to saving by rounding up outstanding credit card debt balances to a specified limit, and uses the difference to purchase mutual fund shares
- "Kur Korumalı (Opsiyonlu) Döviz Kredisi" ("Exchange Rate Protected Foreign Currency Loan with Option"), a foreign currency loan with a guaranteed exchange rate option that protects the borrower against excessive exchange rate rises; "Sabit Faizli Rotatif (BCH) Kredi" ("Fixed Rate Revolving Loan"), a fixed-interest-rate revolving line of credit for those who do not want to be affected by interest rate movements; Chinese Yuan credit and loans for customers who conduct business with China
- "Benim Bankamatik'im" ("My ATM"), an innovative application that revolutionizes ATM use in Turkey by allowing users to customize their own screens
- "Temassız Kartla Para Çekme" ("Money Withdrawal by Contactless Card"), a contactless card application that makes it possible for users to withdraw cash with a single keypress
- Unprecedented in Turkey, a specialized branch was opened, which was designed in a totally different and special structure to offer service exclusively to multinational companies.
- The "Parakod" application that employs the QR code technology allows İşbank customers to use their mobile phones to buy any product or service either online without entering any card data or from the stores without having to carry their credit cards along.
- İşbank was the first privately owned bank to introduce the 2B Loan.
- "Karşılıklı Çek" ("Certified Cheque"), a first in the industry that aims to reinstate cheques as a reliable payment instrument.
- In addition to QR coding technology, the new "Şişak" product enabled instantaneous shopping through newspapers, magazines, advertising posters and catalogues by using the QR coding system.
- By adding Müze Kart "Museum Card" exclusivity to credit cards, the Bank enabled free entry to museums and historical places which are connected to the Ministry of Culture and Tourism for one month each year.
- Intel Verification Technology was provided for the use of customers, which enables secure access to the internet without the need of one-time password use.

Chairman's Message

The process of re-balancing and re-pricing that has been observed in the world economy starting especially in the second half of 2013 is predicted to continue in 2014 as well.

H. Ersin Özince
Chairman of the Board of Directors



In brief

- The recovery in economic activity remained short of expectations.
- Economies of developing markets are expected to exhibit a slower growth than in previous years.
- In 2013, the Turkish economy grew with the contribution of growth in consumption and investment expenditures.

Esteemed Stakeholders,

The global economy is undergoing a process of re-balancing and re-pricing.

2013 was a year in which the global economic activities recovered at a pace slower than expected; while, it was observed that the remarkable decoupling between the growth performances of the developed and the developing countries began to disappear. While significant recoveries were experienced in the U.S. and Japan economies, it has been observed that economic activities in the Eurozone countries began to improve compared to the previous years.

The most important incident of 2013 that guided the markets was the statement of the Chairman of the U.S. Central Bank (Fed) in May. Bernanke stated that the U.S. economy began to perform relatively well and depending upon the improvements in the unemployment rate, the Fed could limit the asset purchases program.

As the expectations regarding Fed tapering became a current issue, volatility in capital flows directed to the developing countries increased starting from the second half of 2013. This situation affected the economic activity in developing countries negatively. Another outcome of the process was depreciation of domestic currencies in the developing countries; and the upward pressure it created on inflation.

The process of re-balancing and re-pricing that has been observed in the global economy starting especially in the second half of 2013 is predicted to continue in 2014 as well. In this conjuncture, it is anticipated that the developed countries will produce a relatively positive economic performance whereas developing economies will grow moderately when compared to the previous years.

In parallel with the steps taken by the Fed depending upon the improvement of the economic activity in the U.S., the course of the interest rates and the regulations will determine the performance of the banking sector. However, for the Euro Zone, it is anticipated that economic recovery will be weaker compared to the U.S. and the banking sector will not be reaching its desired performance in 2014 caused by the significant decoupling of the economic activities in the Euro Zone countries. It is also expected that banking sectors of the developing countries will be affected by the steps taken by the Fed and the volatility in international capital flows.

Growth in the Turkish economy has been supported by consumption and investment expenditures.

When we analyze the development in Turkey following the crisis, it can be seen that domestic consumption and investment expenditures in 2010 and 2011 led to high economic growth, however, in 2012 domestic consumption and investment expenditures remained flat while there was an increased contribution from net exports to growth. The growth composition of Turkish economy started to change compared to 2012 and it has been supported by consumption and investment expenditures.

The low levels of "budget deficit to GDP" and "public debt to GDP" ratios also distinguish Turkish economy positively. In addition to these, strong capital structure of the banking sector and advanced risk management applications in Turkey are frequently emphasized and appreciated by international corporations and investors.

For the first time in 21 years, Turkey was granted "investment grade" rating from two credit rating agencies in 2013. On the other hand, Turkey's high current account deficit and need for external-financing continue to be the important risk factors.

2014 will be a year which the business world should monitor closely and our economy should be constructed upon its strong base with utmost care.

Chairman's Message

According to the key performance indicators, İşbank maintained its position as the leader in the banking sector in 2013.

→ 50 thousand

With more than 50 thousand staff and 121 enterprises, İşbank Group is one of the biggest conglomerates in Turkey.

The banking sector maintained its sound balance sheet structure and profitability in 2013.

After the soft-landing in Turkish economy that has been realized in 2012, the stimulation that has begun to be observed in the year 2013 affected the growth and the profitability of the banking sector positively. It was monitored that the recovery in domestic consumption was effective in the pace of loan growth in the banking sector. On the other hand, indicators such as NPL ratio and capital adequacy ratio of the sector preserved strong and reassuring levels despite the growth in the loan volume.

The Central Bank's recent monetary policies slightly raised the funding costs in the sector. However, our sector utilized the opportunities to create alternative sources such as issuance of securities in addition to deposits and syndication loans with the aim of funding purposes effectively and supported the steady growth.

Esteemed Stakeholders,

After having evaluated the global and the national economy, I would like to share my ideas on our Bank's current position and the future.

İşbank is the leader.

According to the main performance indicators, İşbank maintained its position as the leader in the banking sector in 2013.

İşbank's leadership has three important pillars. The first pillar is our extensive service network and sound financial performance.

The most important point which affirms İşbank's differentiation and leadership is its reputation, which has been maintained in various market circumstances and has been progressively passed down to new generations.

In brief

- Its extensive service network and sound fiscal performance are the important factors bringing leadership to İsbank.
- İsbank enhances its reputation and passes it on to the new generations.
- A broad capital structure differentiates İsbank in competition.

Our Bank moves forward on its path, sticking to the mission set out at its establishment in 1924, and proceeds to the future with sound steps. İsbank trademark stands for trust and stability for every segment of the society, and in all market circumstances. İsbank operates as a safe-haven and as a continuous supporter of the business world. Similarly, İsbank has a great power in the international arena and successfully represents the Turkish banking sector in all platforms with its reputable identity.

Other important points we should remember regarding our leadership are our collective capital structure as well as the deep and extensive consciousness we have on this issue. We serve the collective capital structure that has allowed us to loyally maintain our underlying values that lie beneath our success and principles since our establishment until the present day. On the other hand we never forget that our capital structure is not only the assurance of our leadership, but also of our future.

The extensive capital structure ensures that an individual sense of responsibility as well as a common sense of responsibility and distinguishes us in competition.

These three pillars define İsbank's leadership position, as well as forming the trust and the source of energy of the performance that we will carry on in the future.

İsbank represents one of the greatest economic powers of the country and has an extensive reach.

Since its foundation, İsbank undertook the mission of contributing to the development of the country. İsbank has played a crucial role in Turkey's development via making investments, mainly in various sub-sectors of the finance industry, utilizing the value it has produced in banking. With more than 50,000 personnel and 121 enterprises in total, İsbank is one of Turkey's biggest conglomerates. Our group produces permanent value for Turkey not only by generating employment but also by its commercial operations.

The main components of İsbank's subsidiary strategy are positioning our subsidiaries as the leader and pioneer institutions of the sectors they operate, having them demonstrate sustainable and a satisfactory performance for sustainable profitability and increasing their market values consistently. In view of these principles, all necessary options and required initiatives are taken, and all subsidiaries in the portfolio are managed by taking global economic trends into account.

İsbank's pioneering subsidiary in the glass sector, Şişecam Group, operates in 13 countries with around 20,000 employees. Şişecam Group operates in all of the main glass segments such as flat glass, glass-housewares, glass packaging, glass fiber and chemicals involving bicarbonate and chromium, and is accepted as one of the world's most premium producers thanks to the extent of its scale, level of specialization and high competitive power.

Our financial subsidiaries enrich İsbank's range of products and services offered to its customers with the business lines they operate in, enabling sales of cross and complimentary services and reinforcing the value-added production.

We implement our international growth strategy with great care.

As a strong economic player, İsbank works towards being one of the leading financial powerhouses over a wide global geographical area.

In 1932, İsbank was the first bank to gain an international presence during the Republican era. By the end of 2013, our Bank continues its operations in a wide geographical area through branches and subsidiaries in the banking sector with 49 branches and 2 representative offices with over 750 staff working abroad in 14 different countries.

Chairman's Message

İşbank continues to contribute to Turkey's development, construction and improvement in all areas.

→ 14 countries

As of the end of 2013, İşbank operates in 14 different countries.

→ 750

İşbank's international service network is composed of 49 branches and 2 representative offices, employing over 750 staff.

The aim of being a regional and global bank lies at the heart of the Bank's international growth strategy. Attaching priority to the countries in the neighboring region, our goal is to provide a high quality service and added value to our customers through our extensive and deeply rooted banking experience in markets which have economic and commercial relations with our country, and especially in regions where Turkish firms are actively operational. In this framework, we will continue to monitor market conditions and evaluate investment opportunities in 2014.

İşbank plays a role in planning the future of millions of individuals and enterprises.

By the end of 2013, our Bank provides services to a wide and extensive customer base of around 16 million. Our rich product and service ranges offer variety to our customers. Products and services provided by our Group serve as a crucial function for corporate customers as well as individual customers and play a key role in their financial future. We accept this task as another very important responsibility and provide our products and services aiming to fulfill the requirements of law and legislation.

Another point I would like to mention is our perception on innovation in our products and services. As İşbank, we have accepted being innovative and pioneering as an assignment throughout our corporate history and showed numerous examples of this.

We stick to the same attitude today and accept technology as a complimentary factor for our innovative approach.

We believe that as long as we provide banking services in a technological, simple and accessible manner through all alternative channels, our contribution to the financial lives of our customers will be stronger and more intensive.

İşbank presents its contribution to the society in a determined manner.

İşbank contributes to Turkey's development, construction and improvement in all areas. Within this context, our contribution to social development is, at least, as valuable and important as our economic performance.

2013 was a year in which we successfully continued to contribute to social arena through additional activities. Our long-lasting works under the themes of education, environment, culture and arts embrace the society. Our numerous efforts from supporting the Darüşşafaka Community to increasing the forested lands have turned into symbols that soundly represent İşbank's commitment and deep loyalty to Turkey and our society.

My belief is that İşbank will access wider audiences over the years and enhance its sharings within the context of its social mission. I would like to take this opportunity to thank all non-governmental organizations and our stakeholders that work in corporation with us.

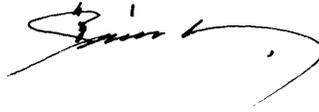
"Your most important capital is intelligence, caution and virtue."

The idiom, "Your most important capital is intelligence, caution and virtue.", spoken by Gazi Mustafa Kemal Atatürk, our founder, will serve as the most fundamental guide of İşbank in 2014, which is anticipated to be a tough year.

İşbank, as the leader of the sector, will continue to work with the heavy responsibility it bears and with enthusiasm in 2014 and thereafter as it has been in the past 89 years.

On behalf of the Board of Directors and myself, I would like to thank all of our stakeholders for their valuable contributions and trust.

Yours sincerely,



H. Ersin Özince
Chairman of the Board of Directors

CEO's Message

With its asset size at the end of 2013, İřbank maintained its position as Turkey's largest bank.

Adnan Bali
Chief Executive Officer



In brief

→ 2013 was a year of healthy growth for İşbank in which it maintained its extensive customer base.

→ İşbank continued to extend its service network with 59 domestic branches and 1 foreign branch openings.

→ İşbank, increasing the resources it secured for the economy, maintained its position as the largest bank of Turkey in terms of loans.

Distinguished shareholders, customers, employees and business partners,

İşbank completed the year 2013 as the leader of our country's banking sector.

2013 has been a year of growth, where the Bank maintained its healthy and diversified structure. With its asset size at the end of 2013, İşbank sustained its position as Turkey's largest bank.

The Bank also maintained its leadership in the sector in terms of shareholders equity, cash-loans and commercial loans.

The Bank's asset size totaled TL 210.5 billion at the end of 2013, with most of the contribution to this improvement derived from loans, which reached TL 134.8 billion, with an increase of 26.4%. By the end of 2013, our contribution to the Turkish economy through cash-loans and non-cash loans amounted to TL 172.9 billion. Being able to reach every point of the country through our extensive service network, we continued to unwaveringly extend the financing opportunities that we provide to our customers of all scales in line with their needs, maintaining our contribution to economic growth and employment.

With its deposits reaching TL 121 billion, İşbank cemented its position of leadership among privately held banks.

Our realizations in our service network, in terms of the number of customers, transaction volumes and human resources also stand as a proof of our healthy growth.

We continued to extend our branch network, which is a fundamental element of our service network in 2013, by opening 59 new domestic branches and one new international branch. By the end of 2013, our network has expanded to 1,289 domestic branches and 20 International branches. We expect to open new branches in locations with potential and to improve our extensive physical service network. Our efficiency and effectiveness criteria will guide us in our new branch opening plans and efforts, as much as the demands and expectations of the business world.

With its number of ATMs (Bankamatik) reaching 5,673 in 2013, maintained its position of having the most extensive and widespread ATM network in the country. The number of customers using our ATMs increased to around 8 million and the number of customers using our internet channel reached 2.1 million. During the same period, the level of mobile banking usage increased by more than 129% when compared to the previous year.

Loan extension is the function illustrating a bank's net contribution to the economy and development, and İşbank is Turkey's largest bank in terms of loans.

Our transfer of resources to the Turkish economy increased in real terms during 2013, and our loans to assets ratio increased to 64.1%.

İşbank successfully developed its operations in growing areas and maintained its portfolio structure during 2013. As well as corporate loans, such as investment loans and project finance, our financial services which are expected to meet the demands of businesses and entrepreneurs regardless of their size or business line, at every point throughout Anatolia also increased considerably. We continued to provide support to our millions of customers in our retail banking business line throughout the year, with our wide range of products.

CEO's Message

In 2013, İşbank applied its corporate strategy in a determined manner; improved its performance through policies focused on profitability and efficiency.

→ The bank closest to customers

İşbank's strategy is "sustainable and profitable growth based on the bank closest to customers".

Our Bank maintained its sound loan portfolio structure during 2013. The ratio of non-performing loans remained below the sector average, at 1.6%.

As a bank financed by national capital, for the sake of sustainable growth, we evaluate the healthy growth and current volume of our loans as a sound achievement.

Our strategy is "sustainable and profitable growth based on *the bank closest to customers philosophy*" in an effort to fulfill our vision and objectives.

In 2013, the Bank implemented its corporate strategy consistently and achieved sustainable financial results. Accordingly, we monitored the developments in domestic and international markets with a proactive approach, and improved our performance by implementing policies which are customized for different business units and focused on profitability and efficiency.

Our main objectives are the healthy management of our market shares while maintaining sound capital, profitability and asset quality. Our capital adequacy ratio, which we manage carefully, is at a sound level which will support the growth forecasted for 2014 and beyond.

In 2013, as a result of relatively moderate global economic activity and the recovery in domestic demand conditions, growth in the banking sector gained pace when compared to 2012.

We achieved our objectives set for 2013 to a great extent. Our Bank closely watched the cost factor in its operations and in shaping the composition of its balance sheet, we followed proactive strategies which will strengthen the Bank's capital adequacy, liquidity and structural interest rate risk ratios.

In brief

- İşbank's strategy is sustainable and profitable growth based on "the bank closest to customers" philosophy.
- In 2013, non-depository borrowing instruments were used as alternatives to decrease the cost of funding and the maturity mismatch.
- İşbank achieved its objectives set for 2013 to a great extent.

In 2013, the loan portfolio structure, which is a fundamental part of the balance sheet growth was closely monitored, and policies aimed at securing resources with medium-long term maturities were implemented. Loan demand was largely met by deposits, the main funding component of the balance sheet, while other borrowing instruments were used as other alternatives in decreasing financing costs and maturity mismatch risk.

Our Bank has an historical background, sound corporate structure, banking culture, experience, prestigious reputation and trust, extensive branch network, distribution channels, human resources that have been built with a long term perspective and a wide customer portfolio which has been maintained by relations based on many years of deeply rooted collaboration. In this framework, regardless of the conjectural developments, our strong customer relations and effective balance sheet management policies will enable the management and development of our current market shares while taking profitability into account.

The most distinguishing characteristics of our Bank are sincerity, diligence, our style of doing business and being a bank that matches the nature of Turkey. The products and services provided by our Bank meets customer needs in the quickest and most efficient manner with superior quality, adding value to our customers and the national economy.

The most important factor allowing us to sustain our competitive advantage can be listed as making the most out of technology in products and services, coordination of the organization, and the ability to reflect the quality of İşbank's management to the field.

In line with our vision for the upcoming period, maintaining our efficiency and managing our market shares with an approach focused on profitability will continue to be the basis of İşbank's strategies. In this context, our market shares in loans and deposits will be continued to manage in a way that enables us to maintain our position as the leader in the sector. The Bank will also continue to attach importance to return on equity and to keep costs under control.

Our works to diversify our funding structure strongly supported our strategy.

The funding policies we applied in 2013 were focused on maintaining composition of İşbank's funding structure, a composition which is balanced and suitable for market conditions.

As deposits continue to be our most important source of funding, in order to diversify our funding structure, opportunities to access the foreign funds were evaluated effectively. The share of funds we raised via our efforts to secure bilateral and multilateral funding within the framework of our relations with financial institutions abroad and via issuing İşbank bills and bonds domestically and abroad, reached 13.5% in total funding, increasing by 3 percentage points. On the other hand, the funds we secured in 2013 through syndication loans was rolled over at a ratio of 106%, creating cost advantages when compared to the previous year.

Through issues to domestic and foreign capital markets, it was aimed to support the integration of Turkish banking sector with global markets, to access investors other than the financial institutions; and to provide financing to the real sector with longer maturities and more appropriate terms. Within this context, another important step taken is to gather our Eurobond issuance processes within the context of a program. İşbank established its medium-term borrowing program in the second half of 2013. This program provided our Bank with flexibility and diversity in funding sources by enabling issuances in different currencies and with different maturities in international markets.

İşbank raised funds worth USD 1.7 billion and TL 600 million via domestic and foreign issuances in 2013 and offered these funds to the investments that serve the growth of Turkish economy; accordingly, to the use of real sector.

CEO's Message

İşbank sustains its successful movement with sound steps in the volatile conjuncture the world is passing through.

→ In search of re-balancing

The global economy has been in the search of a re-balancing since 2008.

İşbank is aware of the fact that lending activities impose an important responsibility with respect to the proper allocation of resources.

The allocation of savings entrusted by the account holders to the banking system constitutes the most important responsibility of the bankers.

İşbank undertakes its lending activities with full awareness of all these facts. Determining priorities correctly, prioritizing the fields that would return to society as value, and while doing so, working with care, virtue and a methodological consistency are of our most valuable assets.

İşbank sustains its successful movement with sound steps in the volatile conjuncture the world is passing through.

İşbank is a bank that is distinguished by its capital structure and management approach in its sector. İşbank uses this advantage in the most appropriate manner.

As the İşbank family, we completed 2013 with the justifiable pride of producing value for our country since our establishment.

In the 89 years we have been in operation, the world has changed considerably and, at least once every ten years, new structures, rules, theories and factors increasing the pace of the competition have emerged in the areas of economics, banking, international trade and diplomacy. In the past 20 years, the evolution in digital communication has added a new dimension to the process of globalization.

In brief

→ İşbank is aware of the importance of the proper allocation of resources.

→ İşbank's success is an outcome of its corporate culture.

→ İşbank will focus on performing its duties for the growth and stability of Turkey in the coming period as well.

While developed countries have weakened in the face of global competition, emerging countries that have been trying to chase developed countries for many years have spurred to narrow down the difference.

While these happening in the world, all of these developments affected our country, which has become an important part of the global economy on different scales.

İşbank has been a corporation that has maintained its successful movement with sound steps in this process. The success which is sustainable and achieved in a competitive environment while adding value to our stakeholders is the result of a corporate culture which allows İşbank to act innovatively, and flexibly depending on market conditions, while preserving its values.

About tomorrow

The global economy has been undergoing a process of re-balancing since 2008. We are going through a conjecture which is both unusual and risky, where countries and enterprises have to quickly take decisions due to the changing conditions. In 2013, the pace of decoupling between developed countries and developing countries slowed down, and the dynamics shifted to a new dimension. The indications of a recovery in the U.S. showed signs of a change in monetary policy. This led to an increase in capital outflows from developing countries, especially starting from the second half of 2013. In the same period, developing countries' currencies, including the TL, depreciated significantly and risks to the growth performance and vulnerabilities of these countries came to the agenda.

Under these circumstances which are expected to continue in 2014, private sector will be as responsible as regulatory authorities for taking measures to minimize the effects of possible global fluctuations on the national economy. In this framework, maintaining fiscal discipline, robust macroeconomic indicators and the strength of the banking sector will be crucial.

In the difficult period upcoming, İşbank will focus on cementing its place in the financial life of enterprises and individuals by applying modern banking practices as well as fulfilling all of its duties to maintain Turkey's macroeconomic stability and sustainable growth.

I would like to take this opportunity to thank the İşbank family, who contributed to the achievement of our 2013 performance, and our stakeholders who have supported us. With our shareholders being in the first place, the trust and support of all our stakeholders will continue to lead us towards our 100th anniversary.

Sincerely,



Adnan Bali
Chief Executive Officer

The Global Economy

After recording rapid growth in the post-crisis period, the pace of growth in developing markets decelerated in 2013.

→ Balanced growth

A period of more balanced growth in global economy

The gradual recovery in developed countries and slowing pace of economic growth in developing markets point to a more balanced outlook in global economic growth in the coming period.

The monetary policies implemented in developed countries continue to shape the global economy.

Extraordinarily accommodative monetary policies implemented by the central banks of developed countries, with the aim of supporting their economies, led to a gradual improvement in the economic activity. Accordingly, in 2013, economies of developed countries started to display a tendency of economic recovery.

In the post-crisis period, developing markets recorded rapid growth but as a result of concerns that global liquidity would not be as supportive as in previous periods, growth rates of those countries lost some pace.

In 2013, the U.S. economy performed well relative to other developed countries. This raised concerns that the U.S. Federal Reserve (Fed) might reduce its support provided to economy by asset purchases. This led to capital outflows from the developing markets in the second half of the year. In this period, the increase in global risk perception and fluctuations in capital flows exerted pressure on the economies of developing markets.

The U.S. took the first step towards exiting from the expansionary monetary policy.

At its December 2013 monetary policy meeting, the Fed decided to reduce the volume of monthly asset purchases amounting to USD 85 billion ongoing for more than a year in under the QE3 program starting from January 2014. At the same time, the Fed underlined that policy rates could be kept close to zero as long as inflation remained below the long-term target of 2%, even if unemployment rate decreased to 6.5% which is the threshold set for monetary policy decisions.

In brief

- Economic activity in developed economies started to recover in 2013.
- The Fed's tapering decision caused volatility in capital flows to developing markets.
- The economic conjuncture in 2014 suggests a narrowing in the gap between rates of growth in developed countries and developing markets.

The Euro Zone is out of recession.

The Euro Zone economy registered growth in the second half of 2013 and pulled out of recession, ending a sequence of six quarters of contraction. However, the weak course of economic activity throughout the region has been continuing.

Thus, the European Central Bank (ECB) cut its policy rates twice during 2013 in order to support the economy and underlined that policy rates would be kept low for a sustained period of time. Furthermore, the ECB added that unconventional policies might be implemented if necessary in addition to policy rate cuts.

Loss of momentum in developing markets

The deceleration in the economic growth of developing markets continued in 2013. The uncertainty about the future course of the Fed's asset purchase program increased volatility of capital flows to developing markets, leading to a depreciation of local currencies against the USD. Pressures on inflation and external financing conditions increased as a result of these developments and interest rates were raised in some of these countries.

Future expectations

The recovery in global economic activity remained below expectations in 2013. In this framework, developed countries posted economic growth rates in parallel to the expectations, while the growth rate of developing markets was weaker relative to previous years. In fact, the significant divergence among the economic performances of developed and developing markets began to disappear by the year 2013.

The gradual recovery in developed countries and the tendency of slowing down in developing markets point out a more balanced outlook for the global economy in terms of growth. It is expected that the gradual recovery in developed countries will have positive impacts on the developing markets via foreign trade channel. Accordingly the IMF expects the global growth to increase to 3.7% in 2014, after the growth of 3% recorded in 2013.

As a result of the disagreements over the U.S. budget discussions arose in October 2013, the compromise could not be maintained. Therefore, the Government was not authorized for spending due to the disapproval of the new budget law and it caused partial disruptions on government spending for 16 days. In order to prevent recurrence of this incident, a new budget law was drafted, which was approved towards the end of 2013, easing the risk over the sustainability of government spending.

In the Euro Zone, where economic activity remains under pressure, it is expected that gradual recovery will continue in the coming period. The steps taken to establish a banking union in the Euro Zone would reduce risk perceptions regarding the Euro Zone economy.

In 2014, fluctuations in capital flows depending on the Fed's monetary policy stance will be influential on the performances of developing markets.

The Turkish Economy

The growth recorded in the first nine months of 2013 was substantially originated from private sector consumption expenditures and public investment expenditures.

Macroeconomic developments in 2013

Economic growth driven by consumption and investment

Turkey's growth dynamics underwent a change in 2013 in comparison to 2012. During this period, the private sector consumption expenditures and government's investment expenditures were the main drivers of growth of the Turkish economy, in parallel with the recovery in domestic demand conditions.

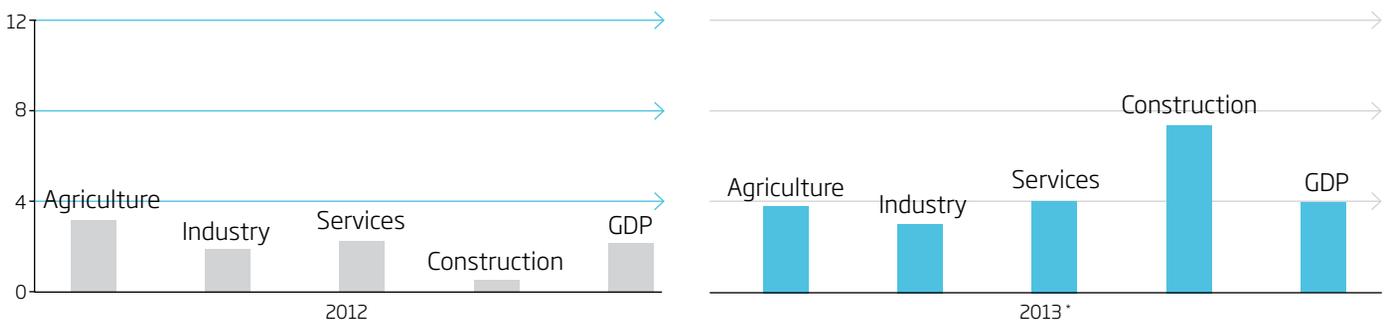
3.1 points of the 4% growth recorded in the first nine months of 2013 came from private sector consumption expenditures and 1.3 points came from public investments expenditures. As opposed to the previous year, net exports lowered the growth by 2.2 points.

The foreign trade deficit increased by 18.7% YoY in 2013 and rose to USD 99.8 billion. The share of the EU countries in Turkey's exports, which declined significantly in 2012, started to increase again in 2013 due to the gradual recovery in economic activity in the region.

In line with the domestic demand conditions and developments in foreign trade, 12-month cumulative current account deficit exhibited an increasing trend starting from April. However, in the last two months of the year, the current account deficit stabilized in response to the CBRT's tightening of the monetary policy and measures taken to limit the growth in household spending. The 12-month cumulative current account deficit expanded by USD 16.5 billion compared to the end of 2012 and reached USD 65 billion by December 2013.

As a result of the rapid changes in the global conjecture, portfolio investments displayed a volatile pattern in current account financing, while foreign direct investments decreased compared to previous years.

GDP - Sectoral Growth Rates (%)



(* As of January - September)

In brief

→ Budget discipline was maintained, but inflation exceeded the year-end target.

→ The CBRT started to take tightening measures.

→ Moody's upgraded Turkey's credit rating to investment grade.

Budget discipline was maintained.

The strong performance of the central government budget continued in 2013, as well. Domestic demand was reflected positively on tax revenues. At the end of 2013, budget revenues increased by 17.1%, while budget expenditures increased by 12.7%. Accordingly, the budget recorded a deficit of TL 18.4 billion in 2013 whereas it recorded TL 29.4 billion in 2012.

Inflation remained above the year-end target.

Due to the increase in unprocessed food prices and the depreciation of the TL, annual increase in CPI reached 8.88% in July, the highest level of 2013. Annual CPI started to decline again thanks to the base effect and was realized as 7.4% at the end of the year. The acceleration of the depreciation of the TL in the second half of the year limited a further decline in the CPI.

The CBRT's decision: Monetary tightening

In the first months of 2013, CBRT gave more weight to monetary policies supporting economic activity by cutting the interest rates while implementing macro-prudential measures.

In the second half of the year, on the other hand, capital outflows from developing markets, including Turkey, were observed over the concerns on Fed's tapering of asset

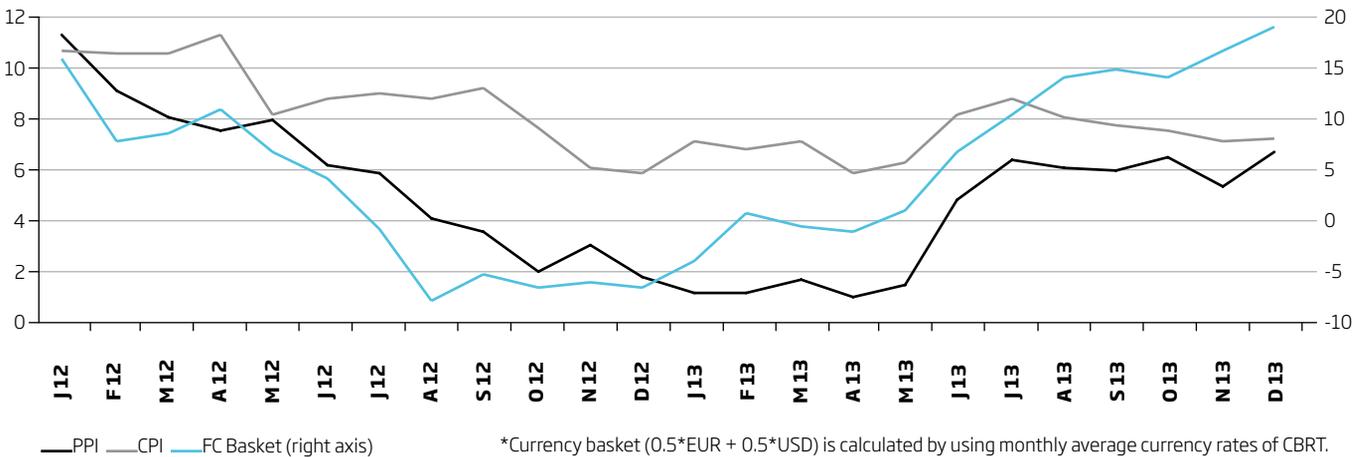
purchases. This led to a depreciation of the TL and increased upward pressures on inflation. In order to maintain price stability and support financial stability, the CBRT decided to raise the upper band of the interest rate corridor and took tightening measures through "extraordinary" and "ordinary" day implementations. In this period, the CBRT mainly focused on liquidity management and declared that it would continue to keep monetary policy tight until inflation aligns with the targets.

Investment grade awarded from a second credit rating agency

The international credit rating agency Moody's upgraded Turkey's credit rating by one notch from "Ba1" to "Baa3" in 2013. Accordingly, Moody's was the second credit rating agency after Fitch to raise Turkey's credit rating to investment grade.

The motivation behind Moody's decision to upgrade the rating was declared as the improvement in economic and public finance indicators. Moody's also foresaw that the implemented structural reforms would reduce the vulnerability to capital flows.

Inflation and FC Basket (Monthly Annualized Changes) (%)



Banking Sector

In addition to deposits, which represent the main source of funding, the banking sector met its financing needs through loans raised from abroad and funds from repo transactions in 2013.

Developments in the Turkish Banking Sector in 2013

Banking sector maintains stable growth.

In 2013, the banking sector maintained its growth performance in terms of

- asset size,
- new branch openings and
- employment.

The banking sector's total asset volume increased by 26.4% YoY, reaching TL 1,732 billion by the end of 2013.

With the help of the recovery in domestic demand conditions, the increase in loan volume gained pace in 2013. The CBRT's decisions to cut interest rates in the first half of 2013 had a favourable impact on the banking sector's funding costs. On the other hand, the tightening in the monetary policy in the remainder of the year caused a rise in funding costs again. Furthermore, the BRSA revised the calculation method of capital adequacy ratio. In addition, the Agency also took steps to limit the number of installments in credit cards, loan to value ratio in vehicle loans and maturity in consumer loans.

İşbank continued diversification of funding sources in the sector.

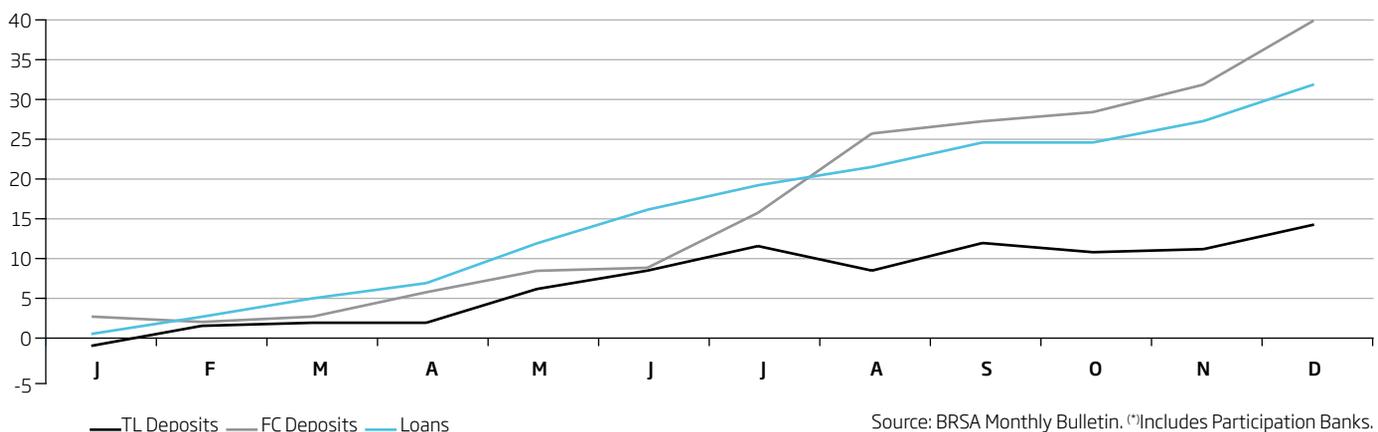
In addition to deposits, which represent the main source of funding, the banking sector met its financing needs through international loans raised from abroad and funds from repo transactions in 2013. In addition, securities issued made a contribution to the banking sector's balance sheet.

The stock of securities issued increased by 60% in 2013, reaching TL 61 billion, up from the TL 37.9 billion in 2012.

Capital adequacy ratio remains high.

The sector's capital adequacy ratio decreased slightly when compared to the end of 2012, but maintained its high level at 15.3% as of December 2013. The sector's net profit increased by 4.9% YoY, reaching TL 24.7 billion by the end of 2013.

Deposits and Loans in 2013^(*) (Change Compared to Year-end 2012) (%)



Future Expectations

Sustainable growth

Net exports are expected to be the main drivers of Turkish economy's growth outlook in 2014. The current level of the real effective exchange rate is expected to be supportive of export opportunities therefore enabling net exports to make positive contribution to growth.

Other factors that will be affecting the pace of growth in 2014 can be listed as the course of international capital flows and the domestic political conjecture.

Developments in key export markets

Developments in Turkey's main export markets, especially in the EU, will continue to have a profound effect on economic activity in the coming period. Accordingly, the recovery in the EU countries' economies, which emerged from recession in 2013, is expected to support the Turkish economy as well.

A flexible monetary policy

The volatility in the exchange rates that was originated from the uncertainties about the Fed's monetary policy during the second half of 2013 is expected to decrease in the coming period thanks to the disappearance of such uncertainties. This will also ease pressure on the inflation front.

The macro-prudential measures, which have been implemented under the context of the CBRT's flexible monetary policy are expected to have a favourable impact on the inflation outlook. However, the volatility in exchange rates that might stem from domestic and external factors, will remain as the main risk factor in terms of price stability.

Banking sector will sustain its growth in 2014, as well.

The CBRT's current monetary policy raised the sector's funding costs.

In the meantime, the banking sector maintains its stable growth trend thanks to alternative funding sources, such as security issues.

The upgrade of Turkey's credit rating to investment grade by two credit rating agencies indicates that the sector will not face difficulties in raising funds from abroad. At the same time, the effects of global liquidity conditions and developments in the domestic political environment on risk perception towards Turkey would be influential on the cost of funding and the amounts obtained.

The sector is expected to improve in parallel with the growth of Turkish economy in 2014 as it has been in the previous years.

İşbank expands its service network with the objective of becoming first a regional and then a global bank.



- 60 new branches
- 826 new ATMs
- 956 new İşbank employees

İşbank will sustain its domestic and international service network growth in parallel with the business opportunities provided by the market in 2014.

- In the framework of its international expansion strategy, İşbank especially focuses on countries located in nearby regions, expanding its service network in markets which have economic and commercial relations with Turkey.
- Taşkinköy Branch commenced operation in 2013, as the 15th branch in the T.R.N.C. İşbank has the widest branch network in the T.R.N.C.
- Efforts to open new branches in Baghdad and Duhok in Iraq, Tbilisi in Georgia, Prizren in Kosovo and London in the UK are ongoing.
- İşbank also continues to improve its domestic service network. In 2013, İşbank increased the total number of its branches to 1,289 maintaining its leadership position among private banks. The number of domestic ATMs (Bankamatik) increased to 5,673 and İşbank now has the largest ATM network in Turkey.
- İşbank continued to expand its product and service diversity through alternative distribution channels and by increasing transaction volumes. The percentage of transactions conducted through İşbank's alternative distribution channels rose to 80.5% of total transactions in 2013.
- As of 2013, İşbank Group has been a big family with more than 50,000 staff.

İşbank and its Activities in 2013

İşbank's total assets increased by 20.0% in 2013, reaching TL 210.5 billion.

İşbank is Turkey's largest bank in terms of total assets, loans, and shareholders' equity.

Thanks to the growth achieved in 2013, İşbank's total assets reached TL 210.5 billion, its total loans TL 134.8 billion, and its shareholders' equity TL 23.6 billion.

İşbank's growth in business volume continued without compromising asset quality and profitability. A key player in the Turkish economy and the Turkish banking industry, İşbank, positions itself as "The Bank Closest to Customers."

In a continued expansion of its domestic and international service network during 2013, İşbank opened 59 new branches, increasing the number of domestic branches to 1,289 and overseas branches to 20, with one branch opened in Nicosia, T.R.N.C.

At the end of 2013, İşbank was the largest player in the sector in terms of its total assets, loans and shareholders' equity, and the leader among privately-owned banks in terms of deposits and number of branches.

Having increased its shareholders' equity by 3.8% in 2013, İşbank will continue to support the development of the Turkish economy in the year ahead, supported by its robust capitalization.

In 2013, İşbank increased its total assets by 20% YoY to TL 210.5 billion.

The share of loans in total assets kept rising trend during 2013, reaching 64.1% at the end of the year.

İşbank's total deposits were up by 14.8% YoY and reached TL 121.0 billion in 2013 and the Bank maintained its leadership position among privately-owned banks in terms of the total deposits.

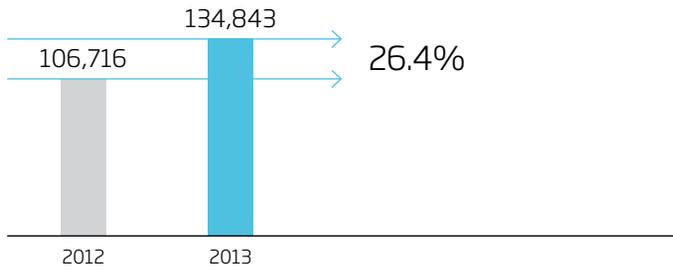
With a view to creating long-term funds and diversifying its funding structure, İşbank continued to effectively deploy non-deposit funds in 2013. As a result of the domestic and international bond issues carried out in 2013, the sum of securities issued increased by 58.6%, comprising 4.8% of total liabilities at the end of the year.

Asset Composition (%)	2012	2013
Cash and Banks	9.9	11.7
Securities	21.7	17.5
Loans	60.8	64.1
Associates & Subsidiaries	4.4	3.7
Other Assets	3.2	3.1
Total	100	100

Liability Composition (%)	2012	2013
Deposits	60.1	57.5
Funds Borrowed and Money Market Funds ^(*)	18.5	23.7
Other Liabilities	8.5	7.6
Shareholders' Equity	12.9	11.2
Total	100	100

^(*) Includes borrowing instrument issues in TL, FC and subordinated loans.

Total Loans (TL Million)



Increasing by 3,8% year-on-year and standing at TL 23.6 billion in 2013, shareholders' equity has been a key element that backed the strong expansion in the credit supply.

İşbank's capital adequacy ratio stood at 14.4% at the end of 2013, well above the regulatory requirement.

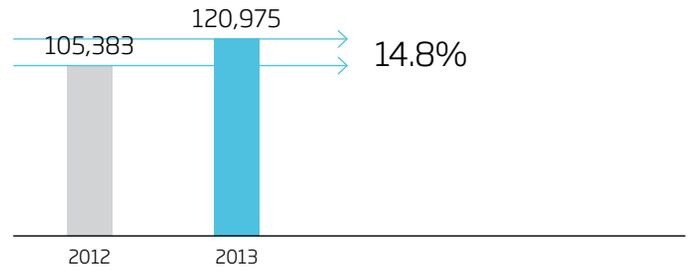
İşbank's total loans grew by 26.4% in 2013 and reached TL 134.8 billion.

İşbank maintained its leadership position in the sector in terms of total loans in 2013.

İşbank pays utmost attention to diversify its loan portfolio with respect to type of loans. İşbank's loan book is comprised of retail loans (28.5%) and corporate, commercial and SME loans (71.5%).

The ratio of non-performing loans (NPL) to total loans continued to slide down in 2013, and ended the year at 1.6% remaining below the sector's average.

Total Deposits (TL Million)



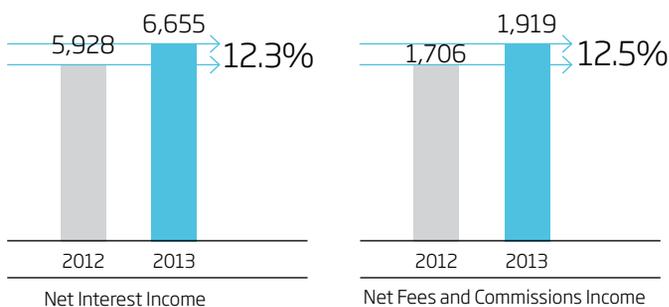
In 2013, İşbank increased its total deposits by 14.8% reaching to TL 121 billion. Deposits continued to serve as İşbank's largest funding source in 2013, accounting for 57.5% of total liabilities. As of the end of 2013, İşbank maintained its leadership position among private banks in TL, FC, demand and total deposits.

With the highest market share among private banks in terms of Turkish Lira savings deposits, worth TL 45.4 billion, İşbank has played an active part in rechanneling savings to the economy.

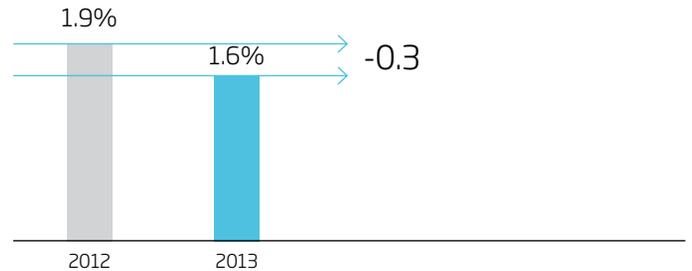
In 2013, İşbank's net interest income increased by 12.3% when compared to the previous year.

Net fees and commissions income increased by 12.5%, its contribution having a favorable impact on profitability in 2013.

Net Interest Income and Net Fees and Commissions Income



NPL Ratio (%)



İşbank and its Activities in 2013

İşbank's corporate banking strategy is structured around building up long-term cooperations and deepening its current relations with its customers.

Corporate Banking

İşbank's corporate banking approach places strategic importance on creating permanent and multi-functional relationships with its customers. The Bank provides continuous support to real sector under all circumstances.

İşbank shares its strength, know-how and deeply rooted experience with its customers as a key solution partner. İşbank actively contributes to increasing customers' competitive strengths and helps them capitalize on growth opportunities in national and international markets.

İşbank meets its customers' demands and expectations by incorporating the latest technological innovations into its services and products. The Bank remained the top choice for its corporate banking customers, with its diverse product range and financial solutions tailored for customers and sectors. İşbank reinforced its leadership position in corporate banking despite the volatile market conditions of 2013.

İşbank offers services through its 9 specialized corporate banking branches and a multinationals' branch.

İşbank's corporate banking strategy is structured around building up long-term cooperations and deepening current relations with its customers. İşbank offers services to its corporate customers through 9 corporate banking branches, 4 of them located in İstanbul, and all equipped with superior technology and specialized staff. İşbank also provides services to companies backed by foreign capital through its specially designed "Multinationals' Branch".

The Bank conducts its corporate banking activities, with the aim of maximizing customer satisfaction, for large-sized companies which are distinguished by their

- pioneering positions in their sector
- commercial and industrial relations at a national and/or international level
- demands for a diverse range of products and services
- high sensitivity to product composition such as price and service speed.

İşbank continues to create added value for the national economy.

İşbank continued to direct its funds to its customers' operations and needs in 2013, creating added value for the national economy along with its customers.

İşbank continued to work towards accurately analyzing customer requirements that vary in diversity and quality depending on their respective sectors, and towards developing specific and tailor-made solutions that cater to these needs. Efforts continued to upgrade the speed and quality of products and services as well as the technology, and to develop customized, innovative products with a view to maximizing customer satisfaction.

In this period, İşbank implemented strategies for more efficient management of loan portfolio. Accordingly, proactive, rapid and appropriate administrative interventions were countered to in consideration of the market developments.

İşbank continues to direct funds to important national investment projects.

In investment projects, İşbank acts with the responsibility of its pioneering position in the sector. The Bank supported various projects that contributed to the development of national economy by financing solutions with the benefit of its experience and rational analysis when it comes to extending funding to the real sector.

İşbank transfers substantial resources to finance acquisition projects that include privatizations, with a special focus on investments in sectors that serve as the drivers of our country's economy, such as energy, infrastructure, transportation, manufacturing and tourism. The Bank increased its efficiency and upheld its strong position in this area in 2013.

In brief

→ İşbank shares its strength, know-how and deeply rooted experience with its customers.

→ İşbank's specially designed "Multinationals' Branch" offers exclusive services to its customers.

→ İşbank serves its corporate customers through 9 branches, 4 of which are located in İstanbul.

Providing solutions to meet the financial needs of its corporate and commercial customers' operations in different sectors, in 2013 İşbank participated in the large-scale privatization auctions of Boğaziçi Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Toroslar Elektrik Dağıtım A.Ş., Akdeniz Elektrik Dağıtım A.Ş., Gediz Elektrik Dağıtım A.Ş., Başkent Doğalgaz Dağıtım A.Ş., Kangal Termik Santrali and Seyitömer Termik Santrali along with a consortium of banks that provided long-term financing to the Phase 1 Project of the Gebze-İzmir Toll road.

Project finance will remain significant in 2014.

İşbank expects project finance to remain significant in 2014 as well. The Bank continues to provide sufficient financing solutions backed by its experience of technical, fiscal and financial analysis. İşbank aims to maintain its leading and robust position in financing projects in fields which are vital to the development of the national economy, by transferring funds to real sector.

Cooperating with international organizations in investment financing

In addition to the funding which had been provided by the European Investment Bank (EIB), İşbank signed a new EUR 150 million agreement in 2013 that will be accessible by enterprises with up to 3,000 employees.

Under the Turkish Mid-size Sustainable Energy Financing Facility (MidSEFF) with co-financing from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), the amount of funds extended by İşbank reached EUR 175 million in 2013.

Efforts on using the available sources in renewable energy, industrial energy efficiency and waste-to-energy investments financing are ongoing.

Efforts for executing the fund supplied by the Japanese Bank for International Cooperation (JBIC), worth a total of USD 300 million, to finance goods and services to be procured from Japan in relation to renewable energy projects are ongoing.

İşbank supports its corporate banking customers with customized risk management solutions.

Demand of customers for derivative products and risk management solution services, which arose as a result of the increasing sensitivity of risk perceptions on market parameters, continued in 2013 as well.

İşbank develops and provides products integrated with other banking products and customized derivative products that seek to protect customers against risks they may face due to uncertainties related to interest rates, exchange rates or commodity prices.

In 2014, İşbank will continue to extend support to its customers through customized derivative products and need-based risk management solutions.

Contribution to customer satisfaction with cash management solutions

İşbank provides cash management solutions backed by innovative technology and which are specifically designed to cater to the needs of customers in various sectors. These products, which directly meet customers' increased needs for speed and efficiency, maximize customer satisfaction.

In 2013 İşbank continued its efforts to provide payment solutions which are customized to special needs and which will save time and cut costs for customers. The aforementioned payment solutions enabled domestic and international payments, while extending their usage, reaching a considerable volume in total payment transactions.

Meanwhile, İşbank was one of the key players in the market for commercial collection systems, and the rapid growth trend of banking services revenues gained from this field continued in 2013.

İşbank and its Activities in 2013

İşbank continued to provide funding to SMEs raised through international corporations in 2013.

Commercial Banking

İşbank continued to extend its support to commercial banking customers throughout the volatile market conditions of 2013.

İşbank maintained its consistent support in the commercial banking business line, standing by industrialists, tradesman, SMEs and artisans in 2013.

İşbank provides services in the commercial business line with its

- 47 commercial branches,
- Widespread branch network all over the country,
- 26 sales regions (including T.R.N.C.),
- Experienced field organizations, customer relations managers and customer representatives.

Significant increase in the commercial banking loan portfolio

İşbank carried on its years of successful performance in the commercial banking business line further to 2013. Remaining as the leading provider of installment-based commercial loans by a substantial margin in 2013, reaching a 17.5%^(*)^(**) market share in this business line. İşbank's loan portfolio in this segment amounted to TL 22.5 billion ^(**) as of the end of the year.

While providing small- and medium-sized enterprises (SME) with working capital and investment financing, İşbank continued to support SMEs' purchases of commercial vehicles and property in 2013. The Bank remained the leading provider of commercial vehicle loans, where it commanded a 25.8%^(*) market share, with a 12.1%^(*) market share in commercial property loans and a 16.9%^(*)^(**) market share in consumer loans.

^(*) Market shares are based on the monthly industry data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

^(**) Includes overdraft accounts.

Increased cooperation with professional associations, sectoral corporations and public organizations

İşbank developed its commercial banking activities in 2013 with a perspective towards addressing local needs as it has been in the past years. Accordingly, the Bank continued to cooperate with professional associations as well as chambers of commerce and industry. Some highlights of the Bank's activities in this area are listed below.

- The "Co-financing Loan Program Protocol" was signed between İşbank and KOSGEB in order to meet the financial needs of companies qualified for the "KOSGEB Reyhanlı District Emergency Support Loan", SME Project Support Program, Thematic Project Support Program, United Cooperation Support Program, Entrepreneurship Support Program, the R&D Innovation and Industrial Application Support Program was also signed. Furthermore, the KOSGEB Support Package was prepared to meet the financing needs of companies which qualified for KOSGEB's refundable and non-refundable support programs. Under the scope of this package, the Bridge Financing Loan, Co-Financing Loans and Letters of Guarantee are provided to companies.
- Within the scope of the ongoing collaboration with the Turkish Grain Board (TMO) in 2013, the Bank provided loans against TMO receipts to its own depositors who had submitted their products (wheat, barley, corn and rice) to the board.
- The "Collaboration and Imece Card Merchant Framework Protokol" was signed between İşbank and the Beet Growers' Cooperatives Association (PANKOBIRLIK).
- İşbank continues to collaborate with the Turkish Pharmacists' Association (TEB). The cooperation protocols were renewed; under these protocols, the Bank intermediates pharmacists' health insurance payments to the Social Security Institution (SGK) and extends loans covered by the association's Mutual Assistance Fund.
- The protocol with the Agricultural and Rural Development Support Institution (TKDK) related to the EU's Instrument for Pre-Accession Rural Development (IPARD) program was renewed. Related work is ongoing within the scope of this protocol.

In brief

- İşbank sustained its successful performance in commercial banking in 2013.
- İşbank continued to improve its commercial banking operations by taking regional needs into account.
- “İş’le Buluşmalar” meetings were held in Muğla, Erzurum, Kocaeli and Samsun in 2013.

Funds secured from abroad to be provided to SMEs

- A loan agreement with an amount of EUR 50 million was signed between İşbank and the EBRD in 2013 under the scope of TurSEFF, TurAFF and WiB programs. In addition to channelling the TurSEFF fund to customers, loan extending programmes have been started within the scope of TurAFF and WiB fund.
- As a result of repayments of the EIB’s EUR 150 million loan that was provided to meet the financing needs of SMEs, credit lines which became available have started to be used again with the same purpose. Additionally, a new EUR 150 million loan agreement was signed with the EIB in 2013, which will be extended to the companies with up to 3,000 employees.
- Within the scope of the agreements signed by and between Korea Eximbank (KEXIM) and İşbank for the financing of general working capital and investment needs of Korea-related companies and the financing requirements of Turkish companies trading with Korean companies, the Bank continued its placement activities in 2013.
- In addition to the EUR 60.74 million obtained from the German Development Bank (KfW Entwicklungsbank) in the previous periods, under the Small Enterprises Loan Programme II (SELP II), İşbank secured a new resource for EUR 17.64 million in October 2013. These funds were channeled for financing SMEs in 49 cities in Turkey throughout 2013.

Differentiated solutions and products tailored to customer needs

İşbank identifies the regional and seasonal requirements of firms based on the results of reviews and assessments carried out in the field as well as at the headquarters. Within the framework of its efforts to accurately and effectively fulfill its customers’ financial needs, İşbank introduced the following products in 2013:

- FC PN Discount Loan for the PNs avalized by Other Domestic Banks,
- TL/FC Domestic Letter of Credit Discount Loan,
- “Interchange Financing Loan” provides financing to automobile dealers for vehicles received for clearance,
- Commercial Property Finance within the scope of the Urban Transformation Law.

İşbank is a consultant and a solution partner of the commercial sector.

İşbank closely monitors and adapts to the changes and transformations of firms and continues to provide consultancy and information services in line with the developments in the global and national economy. In 2013, İşbank’s Headquarters and field teams continued to carry out comprehensive customer visits and identified the needs of approximately 185 thousand customers in the field and fulfilled them as necessary.

In addition to extensive customer visit programmes, “İş’le Buluşmalar” meetings, which involves information sharing as a part of its consultancy services, were held in the cities of Muğla, Erzurum, Kocaeli and Samsun in 2013.

İşbank launched a new series of events held in Organized Industrial Regions (OSB), in an effort to support the healthy growth of SMEs and to provide them with a competitive edge. In 2013, two seminars were conducted in Denizli and Tuzla, covering the economic expectations, and recent developments, as well as Public R&D Incentives and Grants for the particular interest of commercial enterprises.

Three more international awards for the İŞ’TE KOBİ website

The members of İŞ’TE KOBİ (www.istikobi.com.tr), were followed by SMEs and all-sized firms, has exceeded 56 thousand in 2013.

İŞ’TE KOBİ’s innovative SUNUMATİK application received three more rewards, increasing the total number of awards to 30.

İşbank foresees commercial banking as a key driver of economic growth in the banking sector. The Bank will accordingly, maintain its position in the commercial banking segment by offering tailored products and services and providing unique solutions to its clients under a business partnership approach.

İşbank and its Activities in 2013

In 2013 İşbank increased its retail loans balance by 26.2% to TL 38.5 billion. The Bank achieved growth above the sector average in retail loans.

Retail Banking

İşbank continues to take sound steps to increase its share taken from the growth opportunities offered by the market in retail loans, deposits and investment products.

İşbank increased its volume of retail loans by 26.2% to TL 38.5 billion in 2013. The Bank's growth rate exceeded the sector rate in retail loans.

With its sustainable and profitable growth strategy as well as its customer-oriented operations, İşbank provides all banking products and services that people need in different stages of their lives under a quality-oriented approach through its widespread and multi-channel distribution network.

The main characteristics that offer İşbank a competitive advantage in retail banking are;

- a widespread and nationwide branch and Bankamatik (ATM) network,
- the high quality human resources that it fosters,
- a product range which is constantly prospering with innovative solutions,
- customer analytics and competencies in campaign management,
- sound technologic infrastructure and
- channel diversity in providing service.

Customer management activities

One of İşbank's unaltered targets is to build and maintain customer relations that are founded on enduring and mutual efficiency.

The Bank conducts "welcome" and "activation" activities in order to ensure healthy relations with newly-acquired customers within the context of the "stages of relationship program" which has been implemented for this purpose. Under the "promotion" and "loyalty" activities, customers are informed of İşbank products and services and offered a variety of reward campaigns, while a range of other activities are also conducted. Based on the results of the customer churn model, which systematically quantifies the level of the Bank's relationships with its customers, communication activities are carried out under the headings of "retention" and "recovery".

In 2013, retail banking customers started to be followed under 20 sub-segments considering their current life cycles, stages of relations with the Bank and behavior models, and their needs and expectations. İşbank produces value recommendations which are specific to these sub-segments and offers these to its customers.

Developments in the customer analytics and campaign management

Throughout 2013, İşbank continued to employ active use of analytical models including

- customer segmentation,
- credit card segmentation,
- lifetime value,
- customer churn,
- probability of purchase

in order to better understand its broad customer base and to contribute to its customer relationship management through allocating the most appropriate resources.

Within the scope of multi-channel campaign management infrastructure, the branch, online banking, Call Center, Bankamatik (ATM), e-mail and SMS channels are used jointly and several campaigns are conducted simultaneously. İşbank is able to perform multi-channel, multi-stage and personalized customer interactions. It also has the ability to conduct real time campaigning based on customers' account movements.

İşbank carried out campaign optimization systematics in 2013 to effectively use and manage the product, channel, price and communication mix. More than 100 models were produced determining the probability of accepting the offers which will be provided through the branch, Bankamatik, online banking, SMS and e-mail channels on a customer basis. Prioritization of offers to customers on a profitability basis was systematically provided thanks to campaign optimization. In this context, customer contact regulations which enable the sending of e-mail, SMS and branch sales opportunities according to daily, weekly and monthly limits, and under the control of system, were brought into use.

Having reached a deposit size of TL 121.0 billion by the end of 2013, İşbank maintained its leading position among privately owned banks.

The Pay-desk Opportunities Application, developed to utilize sales potential of pay-desk services in İşbank branches, started to be used in all mixed branches. Within the scope of this application, information updating of the customers who come to pay desk and the sales of easy selling products are realized in line with sales offers screened on a customer basis. For more comprehensive products, customers are directed to the sales team. Through this application, a total of 271,951 sales and information updates were conducted in 15 different offer types by the end of 2013.

İşbank: Securing the highest customer satisfaction in retail banking for the last 4 years

According to the Turkey Customer Satisfaction survey conducted by the Turkish Society for Quality (KalDer), İşbank was recognized as the privately-owned bank with the highest customer satisfaction in retail banking segment for the fourth consecutive year.

Moreover Maximum Card was selected as "The Most Satisfied Credit Card" in 2013, according to the results of this survey.

Developments in Life Stage Banking

Within the framework of its Life Stage Banking concept, İşbank engages in activities specifically targeted at children, young people and pensioners.

Children

The initial contact between İşbank and children is established via the Bank's publishing house, İş Bankası Kültür Yayınları.

"Kumbara Fonu" (Money Box Fund), one of Turkey's most prestigious and leading mutual funds, and "Çocuk Hesabı" (Child Account) make up the backbone of the relationship established between the Bank and children. The Money Box Fund remained the largest equity fund in Turkey in 2013, controlling a 20% share relative to amounts in such mutual funds in the country.

Intended for young people between the ages of 12 and 18, "İlk İmza Hesabı" (The First Signature Account) is a bank account product specifically designed to help young people develop the competency to manage their own accounts and encourage saving habits among teenagers.

Young Adults

"İş'te Üniversiteli Bankacılık Hizmet Paketi" (University Banking Package at İş) is intended to address all financial needs throughout the young adults years, while "İş'te Üniversiteli Credit Card" (University Credit Card at İş) represents the first step in the lifelong credit card relationship. İşbank maintains the relationships it establishes with young adults during their student years, and continues to revise their customer card limits after graduation.

Pensioners

Having provided its customers with a broad array of retail banking products throughout their active working lives, İşbank also stands by them during their retirement years, offering a high added-value service with its "Emekli Paketi" (Pensioner Package).

İşbank's total deposits amounted to TL 121.0 billion.

At the end of 2013, İşbank's total deposits amounted to TL 121.0 billion^(*). Controlling a 12.4%^(**) share of the market in total deposits, İşbank maintained its leading position among privately-owned banks.

In 2013, İşbank focused on;

- maintaining its leading position among privately-owned banks
- sustaining the growth in its deposit volumes at a reasonable cost in deposit activities.

In 2013, it was continued to work on constantly to broaden the deposit base and increase the number of customers that were also focused within previous year. To this end, the Bank focused on expanding its deposit base with relatively low interest-sensitivity.

Supported by these activities, İşbank maintained its leading position among privately-owned banks in terms of savings deposits.

^(*) Market shares are based on the monthly industry data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

^(**) Excludes bank deposits.

İşbank and its Activities in 2013

İşbank increased its general purpose loan balance by 32.6% to TL 15.3 billion and maintained its leading position among privately-owned banks.

İşbank achieved 26.7% growth in consumer loans.

İşbank's total consumer loans amounted to TL 28.4^(**) billion in 2013 implying 26.7% growth.

Proactive determination of the instant loan limit, which positively supports the improvement of İşbank's market share in consumer loans, and perceived as a prestige component, is continued to carry out for the customer masses - mainly for the customers who receive their salaries through İşbank and employees in the public and private sector.

İşbank is the leader in general-purpose loans among privately-owned banks.

At the end of 2013, there had been a 29.0%^(*)^(**) expansion in general-purpose loans when compared to the previous year. The volume of İşbank's general-purpose loans reached TL 15.3 billion^(**), marking growth of 32.6%^(**), with the Bank maintaining its leading position among privately-owned banks. İşbank extended 902 thousand general-purpose loans during 2013.

In addition to regular campaigns held every month, İşbank organized mass media campaigns such as "Tatil" (Vacation), "Eğitim" (Education), "Bayram" (Holiday) and "Yeni Yıl" (New Year) loan campaigns.

Customers submitting "Quick Loan" applications through the Instant Banking channels are automatically directed to branches through the campaign management system.

As of February 2013, İşbank's customers, through branches and online banking, were able to register in Credit Risk Reports and Check Reports which were presented by KKB (Credit Bureau).

A loan product designed to grant loan for land as part of the Z/B program within the legal framework, was provided by İşbank for the first time in Turkey in the second half of June.

İşbank developed the "Environmental Loan" in 2013 to expand the general-purpose loan portfolio and meet various cash needs required by customers for the purposes such as heat insulation and water proofing, converting to natural gas heating and changing old and inefficient systems with new systems.

Auto loans to 22 thousand customers

İşbank's auto loans balance was realized at TL 1.3 billion in 2013.

İşbank extended retail auto loans to approximately 22 thousand customers in 2013. At the end of 2013, the Bank commanded a 15.3%^(*) share in retail auto-loans. İşbank remains one of the leading banks in retail auto loans.

İşbank continued to pursue close cooperation between automotive brands in the sector, working to establish new cooperation and organizing campaigns with major motor vehicle brands in Turkey during 2013.

23.5% growth in housing loans

İşbank's housing loans balance reached TL 11.8 billion in 2013, recording 23.5% growth.

A total of 204 in-progress housing projects were evaluated and loan limits were assigned to 105 of them during 2013. As a result of this work, the number of contracted projects increased to 256.

İşbank provided 218 loans amounting to TL 13.7 million in 2013, with 12 of these loans being workplace loans within the scope of the TOKİ (Housing Development Administration) discount campaign.

İşbank was the first bank to sign a protocol with the Ministry of the Environment and Urban Planning to finance the needs of landlords within the scope of the Urban Transformation Project. In line with this protocol, İşbank extended loans to approximately 145 customers, amounting to TL 18.8 million in total.

^(*) Market shares are based on the monthly industry data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

^(**) Excludes banks' deposits.

In brief

→ İşbank registered 23,5% growth in housing loans in 2013.

→ The number of Maximum member merchants exceeded 210 thousand.

→ "Instant shopping with QR code" - a new feature from İşCep Parakod"

Card payment systems supported through a wide range of products and competitive features

By the end of 2013, İşbank was a leading player in Turkey's card payment system market with;

- A total of 6,242,695 credit cards issued
- TL 55.1 billion in credit card revenue
- 13.0% market share based on revenue

Maximum is everywhere: More than 210 thousand member merchants

İşbank serves its credit card holders through more than 210 thousand active Maximum member merchants.

The Bank organized a number of campaigns in 2013 which offered additional installments, a grace period, extra loyalty points (called "MaxiPuan") and gift products, as well as seasonal, sector-based and firm-based campaigns. Aimed at different segments in various sectors, the intensive campaigns offered cardholders preferential shopping options and the positive impact of brand sharing cooperation helped ensure raise the popularity of İşbank cards among Maximum member merchants.

In 2013, common credit cards which offer the advantages of the Maximum world with Büyük Kulüp, Makromarket and Bursaspor were offered to customers.

An increasingly broad range of services

İşbank offers tailored solutions to its customers with diverse expectations including:

- Maximum Card,
- Maximiles, a program offering travel miles,
- MercedesCard, based on the travel miles program and offered to customers who own a Mercedes vehicle,
- Maximum TEMA Card for environmentally conscious customers and
- MaxiPara Card, a prepaid card product.

Şipşak: A new feature from İşCep Parakod, which is simple, safe, innovative and the first of its kind in Turkey

İşCep Parakod is İşbank's simple, innovative and safe payment technology.

In addition to the use of QR code technology in e-commerce and store shopping with İşCep Parakod, a new product named Şipşak was launched in 2013. Şipşak offers customers the opportunity to carry out shopping instantly by using QR codes appearing in media such as newspapers, magazines, posters and catalogues.

Bill payments through İşCep Parakod were also made available in 2013.

Continued expansion in the product range by taking account of customers' needs and expectations

İşbank offers effective solutions that make life easier for its customers with their diverse expectations and needs with the following:

- "Müzekart" (Museum Card), which is valid in all museums and historical sites administered under the Ministry of Culture and Tourism,
- "Tedarikçi POS" (Supplier POS), which enables payment with card for payments to be made to suppliers by member merchants,
- "Bahşiş POS" (The Tip POS), which allows tips to be given through credit cards and debit cards for businesses in the food/beverage/service sectors.

The Bank cooperated with producers to provide services to taxpayers who are required to use the new generation, POS integrated devices which can record payments. The Bank offered these devices to member merchants with a number of preferential campaigns and terms.

İşbank and its Activities in 2013

İşbank, a pioneer of thrift in Turkey, contributes the development of saving through a range of products and services created in line with customers' needs.

Secure Shopping: Card payment system special to a sector for easy, quick and safe shopping

İşbank launched the "Secure Shopping" application in 2013 for sectors which require member merchants to record card information, due to the nature of the transactions.

With Secure Shopping, card information is protected on behalf of member merchants. Moreover, member merchants are hedged against potential risks regarding the safety of card information.

Expansion of the international member merchant service network.

İşbank's international organization continued to expand its service network in 2013. The Bank started to offer following services:

- Bankamatik services in Georgia, the UK and Kosovo with its branches in Batumi, London and Pristina
- Member merchant (POS) in the UK through the London branch

Lives of credit cardholders are getting easier day by day.

İşbank added new privileges and features to ease the lives of its credit card holders in 2013.

The system for the payments of Motor Vehicles Tax and traffic fines by credit card through the Online Banking Branch was provided. Furthermore, people were given the opportunity that Social Security Institution (SSI) premium payments could be carried out over the "sgk.gov.tr" website using İşbank credit and debit cards.

In 2013, new regional projects and also common card projects were conducted.

Within this framework, İşbank's customers, who had contactless credit cards, could use their credit cards to pay for the bus and tramway fares within the borders of the Konya Metropolitan Municipality.

Cinema, culture and art, entertainment with Maximum

İşbank continued to provide a privileged service to its Maximum Card customers through corporation in cinema, entertainment, culture and art.

Loyalty and a sense of being close to the Maximum brand was enhanced through discounts offered in member merchants, in addition to the campaigns and events organized at Cinemaximum cinemas in 25 cities and 62 points under the Maximum Card sponsorship.

İşbank added the Müzekart "Museum Card" feature to its all Maximum credit cards during 2013. This feature, a first in the sector, provides free entry to more than 300 museums and historical sites.

Modern services from the pioneer of thrift

From the day it was founded in 1924, İşbank has been at the forefront of efforts to encourage thrift and to foster an awareness of saving in society. The Bank contributes to these efforts through a range different products and services which it develops in line with customers' needs.

İşbank encouraged saving among its customers through a range of products which set themselves apart in the sector, such as private pensions, regular fund purchases, the gold account, "Kumbara Fonu" (the Money Box Fund), "Düzenli Birikim Talimatı" (the Regular Saving Order) and "Üstü Kalsın" (Keep the Change) in addition to its range of traditional deposit and investment products. With the 'Regular Saving Order' product launched in 2013, customers are offered to determine the amount and maturity of funds which will be automatically and regularly transferred to time deposit accounts from drawing accounts. By doing so, customers are directed to saving.

Üstü Kalsın (Keep the Change)

Üstü Kalsın is an innovative product that aims to generate an awareness of thrift and investment. Under a service available to customers who hold both credit cards and investment accounts at İşbank, the balance shown in the account statement is rounded up to a maximum limit set by the customer, and any difference between the two amounts is added to their investment account. "Üstü Kalsın" is intended to encourage customers to save without changing their spending habits.

By the end of 2013, the Bank had received 144,810 Üstü Kalsın orders through which mutual funds worth TL 32.3 million were created.

In brief

→ All Maximum cards now have the Museum Pass feature.

→ İşbank was intermediating the salary payments of approximately 1.7 million people as of the end of 2013.

→ There was a 25% increase in the number of private pension accounts opened in İşbank branches when compared to the previous year.

İşbank intermediates the salary and pension payments for 1.7 million individuals.

By the end of 2013, İşbank intermediated the monthly salary and pension payments for approximately 1.7 million individuals, 467 thousand of whom are Social Security Institution (SGK) pensioners. A variety of products and services were made available exclusively to those who receive their salaries via İşbank, contributing significantly to these customers' loyalty towards the Bank.

İşbank continued to concentrate on private sector salary agreements as well considering the high level of competition in the sector, high promotion costs of the public institutions' salary agreements, and regional market shares.

Convenience in OGS and HGS

İşbank sustains its leadership position in highway and bridge crossing systems.

Automatic Pass -Through (OGS) devices and Rapid Pass -Through (HGS) contactless protocols that facilitate highway and bridge crossing tolls are provided to owners of motor vehicles with special services, under the guarantee of İşbank.

By the end of 2013, the number of OGS devices issued by İşbank reached 842,174. In December 2012, İşbank became the first bank in Turkey to sell HGS protocols. Number of HGS protocols, that are also offered free of charge to the Bank's customers with credit cards or overdraft accounts, reached 635,828 by the end of December 2013.

Developments in retail cash management

İşbank provides its customers the opportunity for paying the bills of 496 different enterprises through its online banking branch, Bankamatik machines, mobile banking channels, branch pay-desks or via automated payment order. The Bank will continue to endeavor to increase the number of enterprises whose bill payments are intermediated in 2014.

İşbank allows the automatic direction of the free balance in customer accounts that's remained after the daily transactions to direct mutual funds purchase via the Unlimited Automatic Service-SOS/Maximum Account application offers customers with a free balance in their accounts, excluding amounts required for daily transactions, to purchase investment funds

through the Unlimited Automatic Service SOS/Maximum Account application. By the end of 2013, the number of Unlimited Automatic Service -SOS orders had reached 1,243,579, while the number of Maximum Account orders - which convert inactive sums in the accounts into investment by automatically purchasing liquid funds, had increased to 827,980.

Developing coordination with Anadolu Sigorta and Anadolu Hayat Emeklilik

Anadolu Sigorta (a non-life insurer) and Anadolu Hayat Emeklilik (a life insurance and private pension company) are each leaders in their respective sectors. Under the strong collaboration with these two subsidiaries, İşbank provides its customers with an effective approach to service through a broad range of products in:

- elementary insurance,
- life insurance, and
- private pension.

Premium production on Anadolu Hayat Emeklilik's life insurance policies increased by 13% in 2013 when compared to the previous year, while premium production on whole life policies grew by 22% in 2013.

Strong contribution to saving habits: Private pension account

Providing a foundation of a long-term relationship with the customer, a private pension account is a product that strengthens customer loyalty and supports saving.

The number of private pension accounts opened at İşbank branches acting as Anadolu Hayat Emeklilik agencies reached 571,779 by the end of 2013, marking an increase of 25% over the previous year.

Within the scope of non-life insurance products...

Anadolu Sigorta and İşbank continued to produce joint solutions aimed at providing insurance products most appropriate to the loan extended to customers and strengthening the sales channels for the diversification of the insurance customer portfolio in 2013. The Bank increased its total commission income generated from life and non-life insurance products by 17% in 2013 compared to 2012.

İşbank and its Activities in 2013

İşbank offers private banking services at 80 branches, 11 of which are specialized in private banking.

Private Banking

İşbank Private Banking continued to expand its specialized branch network and improve its service through product diversification in accordance with the customers' perception of risk.

İşbank offers private banking services that emphasize customer privacy and mutual trust. These services offered in 80 branches, including 11 specialized private banking branches, are managed with a transparent approach focusing on long term. Personalized services, offered through specialized and experienced Private Banking Customer Relationship Managers who have limited number of customers in their portfolios, played an important role in increasing the depth of customer relations. By the end of 2013, the Bank manages approximately TL 25 billion in assets belonging to more than 23 thousand customers.

Specialized Private Banking Branches

The total number of specialized private banking branches increased to 11, with the addition of Nişantaşı Private Banking branch in İstanbul, Sirkeci Private Banking branch also in İstanbul, and Yenişehir Private Banking branch in Ankara in 2013.

In parallel with our country's regional wealth distribution, a branch network that enables customers in İstanbul, Ankara, İzmir, Adana and Antalya to access İşbank Private Banking services is now largely completed.

Offering alternative investment instruments

In 2013, in line with their demands, private banking customers were offered alternative investment instruments and derivative products corresponding to their risk profiles, along with customized traditional banking products. Approximately TL 7 billion transaction volume was realized in more than 2,000 derivative transactions undertaken by private banking customers who aim to utilize alternative high return opportunities in a low-interest environment.

İşbank's bond and bill issuances attracted a great deal of interest from private banking customers. A total of TL 1.2 billion demand was collected from private banking customers in issuances held in 2013.

Growth in Privia branded products

İşbank Private Banking offers products and services which create value through differentiated processes convenient with customers' needs, under the Privia brand.

Compared to the previous year, there was a 60% increase in the use of Privia credit cards and a 50% increase in the volume of Privia retail loans. The total amount of contribution generated by the Privia private pension accounts increased by 62%, reaching TL 31 million.

In brief

- Private Banking service offered from 11 specialized private banking branches.
- TL 1.2 billion demand received from private banking customers in bond issues in 2013.
- More than 1,800 private banking customers were welcomed as guests in various social events.

İşbank Private Banking events

More than 1,800 customers who are registered in the customer interest information database, which is created to offer benefits in compliance with customers' expectations in non-financial fields, were invited to attend art exhibition openings, Cinemaximum film premieres and were entertained as guests in İş Arts and sports events.

In 2014...

İşbank will continue to open new specialized private banking branches in 2014.

The Bank aims to develop strategic collaborations with its business partners and plans to realize an integrated asset management approach in the growing number of specialized branches in order to contribute to the presentation of capital market instruments and in order to promote the use of such products. In this context, İşbank Private Banking will continue to actively provide benefits to its customers based on capital market instruments, principally private sector bonds which have great growth potential. In addition, the Bank will attach priority to expanding its product range, in order to provide additional means for alternative returns.

In 2014, İşbank Private Banking will continue its proactive and systematic activities aiming to increase its wallet share of existing customers and gain new customers. İşbank also intends to develop mobile service applications to have more in-depth communication with private banking customers and to develop personalized customer experience in ever-increasingly used mobile platforms.

İşbank Private Banking plans to add a range of consulting services to its product/service range in line with its customers' needs, as part of the Bank's efforts to offer multifaceted benefits to its customers in 2014.

Capital Markets

In 2013, İşbank sustained its leadership by a large margin in the BIST Debt Securities Market.

İşbank, leader in Debt Securities Market with a trading volume of TL 3.1 trillion in 2012, increased its trading volume to TL 3.4 trillion in 2013. Having maintained a pioneering role and a leading position for many years in the capital markets, İşbank sustained its position with a 24.5% share in 2013 as well.

İşbank solidifies its leading position in the issue of corporate bonds.

Alternative investment instruments like corporate bonds have been more attracted by investors due to the reduction in the Treasury's borrowing requirements. The issue of private sector debt securities, which has already been in an increasing trend, gained momentum in 2013 in the quest of diversifying the Bank's existing funding structure.

İşbank continued to issue debt securities of different types and maturities during 2013 to secure long term funds, diversify its funding structure, decrease the maturity mismatch between assets and liabilities and to offset short-term interest rate risk. İşbank captured a 22.5% market share in the sector in terms of total issues with 38 domestic bills/bonds issuances, with total nominal value of TL 11 billion. The Bank was the leader by a large margin, with a 20.9% market share on the basis of outstanding issuances, as of the end of 2013.

İşbank is also the leader in gold transactions.

The total of İşbank's gold deposit account and investment account customer balance was realized as 46 tons as of the end of 2013. With a 15.5% market share in terms of gold deposit accounts, İşbank was the leader of the market by a large margin.

İşbank and its Activities in 2013

İşbank increased its trading volume in the BIST Debt Securities Market to the level of TL 3,400 billion.

Within the context of “Gold Meetings at our Branches” and “Gold Meetings at Goldsmiths” services, launched in 2012, the Bank accessed all of Turkey’s 81 districts in 2013. The aim of the project was to facilitate the transfer of the so-called “under-the-mattress” physical gold into the economy, in which the Bank achieved considerable success. The “Gold Meetings at Goldsmiths” services, designed with a creative, practical and secure utilisation of İşbank’s technological infrastructure, marked a first of their kind in Turkey.

The leader in equities trading volume in Turkey

İşbank, together with its subsidiary, İş Yatırım Menkul Değerler A.Ş., accounted for 8.4% of the trading volume in the Borsa İstanbul Equity Market, and maintained its long-running leadership among the 89 brokerage firms active in this market.

With 23.5% share in the mutual funds market as of the 2013 year-end İşbank secured an 8 percentage points margin over its closest competitor in the sector.

Reinforcing its leadership in the mutual funds sector in 2013, İşbank is the founder in the fund markets with the highest share in Type A and B funds with market shares of 36.3% and 22.7%, respectively.

İşbank’s “Money Box Fund”, developed especially for children and the first of its kind in the country, accounted for 83% of all Type A fund holders and 20.6% of the total portfolio size.

Within the scope of product development activities, two new funds investing in global markets were opened to trading for customers. The first one, The Global Stock Exchanges Fund invests in equities, while the other one, the Global Debt Securities Fund invests in debt securities. Accordingly, the Bank developed a global fund package which contains the major investable financial tools in foreign markets together with the Global Commodities Fund Basket, which was launched back in 2011. Furthermore, the “Global Fund Bouquet” service, which involves three global funds, was also offered to customers providing them an opportunity to invest at once in an investment composed of funds.

Within the scope of sharing its know-how practices with the sector...

Valuation services provided for mutual funds set up by the Bank or some of its subsidiaries were provided to a non-Group company for the first time in 2011. The number of non-Group funds receiving valuation services from İşbank continued to rise during 2013.

İşbank is the first bank in Turkey licensed as a custodian.

İşbank is the first bank in Turkey to be licensed as a custodian and to receive the permission to operate as a custodian to provide custody services for portfolio management companies’ assets which are subject to individual portfolio management. The Bank serves as the primary reference for newly established asset management firms with its extensive know-how in this area. By the end of 2013, İşbank had a market share of 38.0% in custodian services for the assets subject to non-institutional portfolio management.

İşbank in 2014

İşbank is determined to improve its market shares in mutual funds, stocks, bills, bonds, private sector borrowing instruments, repo, Eurobond and gold transactions via

- the new products and services designed in line with customer preferences and market conditions,
- a competitive pricing policy, and
- a wide variety of distribution channels that ensure the uninterrupted supply of high-quality service.

The CBRT targeted price stability in 2013 and in accordance with this target, it continued to oversee the financial stability.

Treasury Management

Signs of change in global liquidity conditions

Capital flows maintained their strong trend as central banks of developed countries maintained their expansionary monetary policies in the first months of 2013. However, in May, the Fed's increased emphasis on limiting the expansionary monetary policy and finally ending it influenced the markets adversely.

The markets followed a volatile trend in 2013 due to the challenges such as the debt ceiling in the U.S. and high unemployment in the Euro Zone, as well as the signals of change in expansionary monetary policies that were significant for the economies of developing countries and supporting global liquidity.

The CBRT used monetary policy tools effectively and dynamically.

At the end of 2012, the CBRT lowered both the upper and lower bands of the interest rate corridor in order to keep any macro financial risk likely to arise due to capital inflows during 2013. The CBRT also decreased policy rates in April and May due to stronger capital inflows and expectations of an increase in Turkey's sovereign ratings as well.

In the beginning of the second half of the year, the CBRT continued to apply a tight monetary policy in a bid to limit the impact on the domestic economy of the uncertainties in the global economy. In the same period, the CBRT continued to apply the required reserve ratio and Reserve Option Mechanism (ROM) together and reduced the amount of funding that it had offered the market, in an attempt to limit loan growth and support foreign exchange reserves.

The CBRT widened its interest rate corridor by raising lending rates in July and August as the fragility in global economy started to be priced in especially from June onwards. In addition, The CBRT adopted the policy of increasing foreign exchange liquidity through foreign exchange selling auctions as a reaction to the weakness in capital inflows while heading for additional monetary tightening.

The CBRT effectively and dynamically deployed the tools of monetary policy that includes reserve requirement policy and liquidity management as well as interest rate policy to ensure financial stability. Thus, via affecting both the market liquidity and the interest rates, it had been provided that the market reacted quickly and elastically to the volatility in short term capital flows and the loan growth was kept at a balance.

Developments in funding costs in 2013

Turkey received its "investment grade" rating from two institutions after 21 years thanks to the increase of Fitch in November 2012 and Moody's increase in May 2013.

In parallel with this, liquidity in foreign markets following a trend in favour of the developing countries in the first half of 2013 strengthened the positive expectations. The fall in interest rates was accelerated by overall positive trends in the markets and the CBRT's policies. In this period, funding costs gradually decreased for the bank and for the overall banking sector resulting with a positive influence on sector profitability.

In the second half of the year, CBRT raised its lending rates to 7.75% with the increases in July and August and led to additional monetary tightening to expand the upper limit of the interest rate corridor. While additional monetary tightening resulted in increased funding costs for banks, it was also effective in raising interest rates in the market.

The balance sheet composition of banking sector

The sector's asset size expanded by 26.4% to TL 1,732 billion in 2013, marking a growth rate of 13.8 percentage points in excess of the 12.6% growth rate recorded in 2012.

The positive trend in the economic activity formed in spite of the increase in funding costs in the second half of 2013, accelerated the increase in the loan volume of the banking sector when compared to 2012. In 2013, banking sector loan volume growth was recorded to be 31.8%, the sector loan volume reaching TL 1,047 billion, whereas in 2012, the banking sector loan volume growth rate was at the level of 16.4 percentage points.

İşbank and its Activities in 2013

Non-deposit resources, especially security issues, were continued to be utilized in the banking sector to compensate for the limited increase in deposits.

The ratio of total loans in total assets stood at 60.5%, increasing by 2.5 percentage points when compared to 2012.

On the other hand, while the total securities portfolio grew by 6.2% in 2013 when compared to its 2012 level, its share in total assets decreased by 3.1 percentage points to 16.6% in 2013.

The banking sector's total deposits^(*), which had grown by 11% in 2012, reached TL 946 billion, increasing by 22.5% on TL basis in 2013. In the same period, TL deposits grew by 14.1%, while TL equivalent of FC deposits increased by 39.7%. USD equivalent of total FC deposits recorded 16.3% growth when compared to 2012. In this period, the share of deposits in liabilities decreased to 54.6% from 56.3%.

On the other hand, non-deposit resources, especially security issuances, were continued to be utilized in the sector to compensate for the limited increase in deposits. Security issuances which took place in domestic and foreign markets enabled the diversification of funding resources, decreasing the costs of resources and a reduction in maturity mismatch. Likewise, funds borrowed from foreign markets maintained their strong course over 2013 submitting importance in the sector's non-deposit resources, excluding shareholders' equity. Within this context, Turkey achieved to be among the countries preferred by global investors and foreign banks; and thus, provided the benefit of funding resources obtained by Eurobond issues, syndications, securitizations and bilateral agreements at maximum.

^(*)Excludes banks' deposits.

Dynamic management of balance sheet composition at İşbank

İşbank's balance sheet management includes keeping necessary resources for each offered product and service available and managing foreign currency and liquidity positions as well as loan and investment portfolios in the most effective manner. Balance sheet management has been conducted with proactive strategies that are shaped in accordance with the decisions of the Asset-Liability Committee.

İşbank's balance sheet development in 2013 followed a similar trend to that of the sector. The share of securities among the asset items decreased to 17.5% from 21.7% while the share of loans increased to 64.1% from 60.8%. Deposit maintaining its importance among the liability items with a share of 57.5% whereas bonds and bills issued in domestic and foreign currencies increased their weight among non-deposit resources. In this framework, domestic bonds and bills with a nominal value of TL 11 billion and maturities ranging from 3 months to 1 year, and eurobond issuances abroad with a value of USD 1.8 billion with maturities extending to 10 years were realized.

Effective risk management which strengthens the balance sheet structure

İşbank's main goal is the sustainability of profitability with the strong balance sheet structure and the formation of a risk-return balance at optimal levels.

In line with these goals, İşbank attached great importance to managing liquidity, interest rates and currency risks in accordance with İşbank's Asset-Liability Management Risk Policy principles in parallel with the Bank's risk appetite in 2013.

Effective risk management models were utilized in all banking activities. Instant developments in markets were closely monitored in line with the risks while benefitting from money and capital markets together with derivative products within the framework of determined proactive strategies. These transactions were aimed at keeping structural interest rates and currency risk at acceptable levels while trying to place the same priority on meeting the liquidity requirement.

In brief

→ İsbank intermediated in foreign trade transactions carried out between Turkey and 243 different countries.

→ İsbank issued Eurobonds with a nominal amount of USD 1.25 billion.

→ The STP quality award was presented to İsbank by Commerzbank NA, Deutsche Bank AG, Citibank NA and JP Morgan Chase Bank NA.

International Banking

İsbank continued to improve and diversify its relations with correspondent banks in 2013.

The Bank;

- offered its customers foreign trade products and services,
- intermediated in foreign trade transactions between Turkey and 243 different countries

with its correspondent network established in 128 countries with more than 1,600 banks.

İsbank signed a cooperation agreement with The Bank of Tokyo Mitsubishi UFJ Ltd., Japan, covering particularly the fields of foreign trade financing, syndicated loans and ECA loans as well as retail and corporate banking fields.

In addition to this, a memorandum of agreement was signed with Cihan Bank for Islamic Investment and Finance, Iraq, to establish a cooperation which aims to mutually provide a wide range of banking services to each institutions' customers.

İsbank signed new agreements to provide medium and long term financing under the assurance of export credit agencies in order to meet its customers financing needs related to increasing import of investment goods and energy projects. Within this scope, framework agreements were signed with the Germany based Bayerische Landesbank AG and Landesbank Berlin AG in February and March 2013 respectively.

İsbank attracted considerable attention in SIBOS meetings.

İsbank attended SIBOS (SWIFT International Banking Operations Seminar) meetings organized by SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Dubai between September 16th and 19th, 2013. İsbank, participated SIBOS with its own stand for the sixth time after the meetings in Vienna, Hong Kong, Amsterdam, Toronto and Osaka, and attracted a great deal of attention. İsbank conducted corporate promotion activities and also shared information concerning its products and services and evaluated cooperation opportunities.

4 new awards for İsbank's international service quality

İsbank continuously enhances its high service quality regarding its customers' international money orders.

The Bank continued to be rewarded by its correspondents in 2013, thanks to its accurate transaction rates in parallel with its technology investments in this field. İsbank has been rewarded with the STP quality award by Commerzbank NA, Deutsche Bank AG, Citibank NA and JP Morgan Chase Bank NA.

Another successful year in obtaining external funds

İsbank obtained syndication loans amounting more than USD 2.5 billion through the agreements signed in May and September 2013. With these resources, the Bank supported financing of foreign trade transactions of companies in the real sector and maintained its contribution to the development of Turkey's economy.

Eurobond issuances confirm İsbank's strong reputation and credibility.

In 2013, İsbank issued Eurobonds with a nominal amount of USD 500 million and a maturity of 5.5 years due to the low interest rates in global markets and high demand received from investors. The issue was completed in April 2013, having a 3.75% coupon rate and a yield of 3.89%.

Following the USD 500 million issue in April 2013, İsbank made an additional Eurobond issue bearing the same conditions, upon a demand that was four times the amount issued, and thus provided an additional funding to İsbank with a nominal amount of USD 250 million with a yield of 3.55%.

İşbank and its Activities in 2013

İşbank set up the Global Medium Term Note (GMTN) Program in July 2013.

İşbank established a Global Medium Term Note (GMTN) Program.

İşbank established the GMTN Program in July 2013 to gather all Eurobond issuance processes and conduct future issuances within the context of a program.

The GMTN Program facilitates the issuances of borrowing instruments in different currencies and different maturities in a shorter period of time providing the issuer with flexibility and diversity. Furthermore, the program allows debt capital market and private placement issuances.

First Eurobond issue under the framework of GMTN Program

İşbank completed the first market transaction in October 2013 under the GMTN Program. The Eurobonds issued generated a demand that was almost seven times the amount issued. The issue, with a nominal amount of USD 500 million and a maturity of 5.5 years, carried a 5.500% coupon rate and had a yield of 5.614%.

The second subordinated Eurobond issuance

In December 2013, İşbank completed the second subordinated Eurobond issuance with a nominal amount of USD 400 million and a maturity of 10 years, carrying a coupon rate and a yield of 7.85%.

Securitization amounting to EUR 185 million and USD 50 million.

A new securitization transaction amounting to EUR 185 million and USD 50 million was completed under the securitization program that İşbank established in 2004 backed by diversified payment rights. The tranche of the securitization deal amounting to EUR 50 million was obtained from the European Bank for Reconstruction and Development (EBRD). EUR 50 million resource obtained from the EBRD, will be used for financing of energy efficiency and renewable energy projects within the context of Turkish Mid-size Sustainable Energy Financing Facility (MidSEFF). The tranche of the securitization deal obtained from the EBRD, amounting to EUR 50 million has a maturity of 12 years, while the other tranches have a maturity of 5 years.

Cooperation between İşbank and PROPARCO: Housing finance which meets the criteria of energy efficiency

A loan agreement between İşbank and PROPARCO, a subsidiary of the French Development Agency specialized in private sector financing, was signed in March, 2013 to finance residential housing loans for housing projects fulfilling local energy efficiency criteria in Turkey. The amount of the loan is EUR 50 million with a final maturity of 10 years.

İşbank further strengthened its relations with international finance institutions through the transactions completed in 2013. The Bank continued to support Turkish economy in various fields through long term and special purpose loans provided by the related institutions.

In brief

- The second Eurobond issue as a subordinated loan, amounting to USD 400 million, was completed.
- A loan agreement in the amount of EUR 150 million with a maximum final maturity of 8 years was signed to finance small and medium enterprises.
- Through the EBRD's WiB, TurSEFF and TurAFF credit programs, new funding agreements were made.

Memorandum of Understanding and loan agreements were signed between İşbank and European Bank for Reconstruction and Development (EBRD) to provide financing to various fields of the economy.

- A memorandum of Understanding with respect to funds amounting to EUR 150 million in total, which is planned to be obtained within 2013, 2014, 2015 and
- loan agreements with a total amount of EUR 50 million under Memorandum of Understanding, with a final maturity of 7 years were signed between İşbank and the EBRD on May 9th, 2013.

Of the EUR 50 million resource the following tranches were obtained for financing of the following areas:

- EUR 25 million is to be used for financing of SMEs owned or managed by women entrepreneurs within the framework of the Woman Entrepreneurs Support Program (Women in Business - "WiB"),
- EUR 15 million is to be used for financing of the activities in the field of renewable energy and activities aimed at effective and efficient use of energy within the scope of the Turkey Sustainable Energy Financing Facility (TurSEFF),
- EUR 10 million is to be used for financing agricultural loans that will be directed to Turkey's development priority regions within the framework of Turkey Agriculture Financing Facility (TurAFF).

Individual loan agreements to provide financing to small enterprises were signed between İşbank and Kreditanstalt für Wiederaufbau (KfW) in 2013.

A framework agreement was signed between İşbank and KfW Entwicklungsbank within the context of SELP II in December 2008. Under the framework agreement, a new fund with a total amount of EUR 17.64 million and a maximum maturity of 4 years, was obtained in October 2013 to finance SMEs.

A loan agreement with an amount of EUR 150 million was signed between İşbank and the European Investment Bank (EIB).

A loan agreement with an amount of EUR 150 million and a maximum final maturity of 8 years was signed between İşbank and the EIB in December 2013 to finance the small and medium size enterprises which meet the criteria determined by the EIB.

With respect to the agreement, which represents the fourth mutual cooperation with the EIB, a part of the fund will be used for the financing of enterprises which have environmental and social responsibility policies in place or for the financing of social responsibility projects such as energy efficiency, the environment, protection from natural disasters, improvement of health and work conditions of such enterprises.

Cross-Border Banking Activities

İşbank continued to expand its international service network in 2013.

İşbank incorporated its cross-border organization into the sustainable profitable growth strategy it adopted domestically, and continued to expand its international service network.

Taşkıncı Branch, as the 15th branch of İşbank in the T.R.N.C., began its operations in 2013, enhancing İşbank's position of having the widest branch network on the Island. İşbank continued its activities to open new branches in the cities of Duhok in Iraq, Tbilisi in Georgia, Prizren in Kosovo and London in the UK in 2013.

As part of its vision to sustain its position as a regional financial power, İşbank especially focused on the markets that have intensive economic and commercial relationships with Turkey, with a special emphasis on those located in the nearby regions. The Bank aims to present high quality service to its customers with its broad and established experience, especially in regions where Turkish companies are operating. Accordingly, investigation studies have been carried out in Azerbaijan, the Balkans, the Caucasus, Central Asia and the Middle East markets.

İşbank and its Activities in 2013

The proportion of comparable transactions conducted through the Instant Banking channels reached 80.5% in 2013.

Alternative Distribution Channels

Working with the vision of “Being Turkey’s best multi-channel bank” in alternative distribution channels, İşbank offers its all applications in this area under the brand of Instant Banking.

İşbank’s vision in alternative distribution channels is “ Being Turkey’s best multichannel bank”. İşbank structured all its applications in this area under the brand of Instant Banking.

The proportion of comparable transactions performed through the Instant Banking channels reached 80.5% in 2013, topping the world’s benchmark interval of 75-80%.

In 2013, the number of customers using İşbank’s Bankamatiks (ATMs) climbing to about 8 million and the number of Internet Branch users reached 2.1 million. The number of İşbank customers using the Mobile Banking channels (İşCep, İşPad and İşWap) surpassed 727 thousand, marking an increase of 129% year-on-year.

The innovative practices, product promotions and communication efforts performed through alternative distribution channels continued to receive awards both in Turkey and abroad in 2013. In this period, İşbank was awarded with:

- The Golden Stevie award under “Best New Product of the Year” in recognition of the Bank’s “Cash Withdrawal from Bankamatik via İşCep QR Code” application in the Stevie Awards, one of the most prestigious awards of international business world,
- The Red award in the Best Tablet Application category in the “Best in Red Press Awards” in recognition of the “Renewing your finger for the renewed İşPad” application, held for the 10th time by the national newspaper, Hürriyet.

Leader in the perception of “A pioneering and innovative bank”

The Bank’s perception of being a pioneering and innovative with regard to its customers is continued to monitor. As of the end of 2013, İşbank was the leader in the perception of being a “pioneering and innovative bank” as in many other areas, according to comparative perception measurement data.

Innovations easing the customer experience

Amendments and innovations were introduced in 2013 aimed at easing the customer experience as well as ensuring safe and easy access to channels. In this framework, İşbank offered the following to its customers’ service in 2013:

- “Chat Banking” service “ (Canlı Yardım) on its corporate website (www.isbank.com.tr) enabling customers to obtain information about the Bank’s products and services and the Instant Banking channels by chatting with customer representatives online through this service,
- Options for entry with ID numbers and Bankamatik/credit cards, in view of the needs of Personal Internet Banking Branch users,
- Rapid and safe login to the Personal and Commercial Internet Branch through Intel Identity Protection Technology (Intel IPT) without need for typing One Time Password,
- Logging in to İşCep through the Mobile Approval.

Bankamatik

Bankamatik network is the most prevalent Instant Banking channel across Turkey with the highest number of users.

Bankamatik has an important role in retail customers’ preferences. İşbank maintained the title of offering Turkey’s most widespread Bankamatik network in 2013 as well. The total number of Bankamatiks reached 5,678 in Turkey and abroad, with 826 newly opened Bankamatiks in 2013.

İşbank provided its customers the opportunity to withdraw cash from Bankamatiks whenever they wanted by entering İşCep and using a QR code, even without carrying any cards on them. In line with the targets of reducing operational expenses and increasing customer satisfaction, the rate of devices possessing cash recycling in the Bankamatik network reached to rate of 32%.

Services also started to be provided through the Bankamatik channel, at London, Batumi and Pristine branches in 2013.

In brief

- İşbank received the Golden Stevie award under the "Best Product of the Year" through its "Cash Withdrawal from Bankamatik via İş Cep QR Code" application.
- İşbank is a leader in the perception of being "pioneer and innovative bank" according to comparable perception measurement data.
- Bankamatik service in London, Batumi and Pristine branches.

Internet Branch

İşbank Internet Branch's transaction menu was enriched and current transactions were developed with the operations aimed at improving user experience and transaction security.

The Stock Exchange Platform went live in 2013 enabling real-time tracking of the markets and issuing trading orders independently from the Internet Branch. Intel Identity Protection Technology (Intel IPT) which enables customers to login Internet Branch easily and securely, removing the need to type One Time Password, was launched by İşbank for the first time in Turkey.

Loan transactions were renewed in the Commercial Internet Branch. The Branch was enriched in the area of cash management transactions, by adding the Cheque Guarantee, Salary and Direct Debit System (DDS) transactions.

Meanwhile, another Internet Branch was opened in 2013, which can be accessed from www.isbank.co.uk, for customers of the London Branch.

Mobile banking channels

In Turkey, a total of 13 banks were offering mobile banking at the end of 2012; three more banks started to offer mobile banking in 2013.

The year 2013 was a year of rapid growth in mobile banking channels.

There was more than 100% growth in the number of İşCep users thanks to further easing of entry for the İşCep application. The facility to enter the İşCep application by credit card was also realized in 2013. The İşCep application, prepared especially for phones using the Windows Phone 8 Operating System, was offered to customers. It is provided to get access to İşCep with mobile approval code, meanwhile it's allowed to get access only by customer number and customer PIN in case of internet connection is available through certain operators.

The features of bill payment via Parakod, shopping via "Parakod Şipşak" and "Cash Withdrawal via QR code" were added to the İşCep application.

The work on developing the İşCep application contributed to the expansion in the number of users, widening the use of mobile banking channel. The share of the mobile banking channel rose from 4.4% in 2012 to 9.4% in 2013.

Effective control for suspicious transactions

Effectiveness in detecting suspicious transactions, taking action automatically and preventing fraud in the Instant Banking channels were enhanced with the Fraud Detection System.

For a more effective Call Center service

Erişim Müşteri Hizmetleri A.Ş., which is a subsidiary of İşbank and established in November 2012, gradually started to offer Call Center service to the Bank.

The Company's number of staff reached 257 individuals, 222 of which were customer representatives and 35 of which were administrative staff at the end of 2013. Thus, there were improvements in the Call Center's service level over a 3 months period and in the call response rates, which are defined as basic performance indicators. The 3 months service level improved from 45.1% at the end of 2012 to 69.8% by the end of 2013, while the call response rate improved from 74.5% in 2012 to 90.7% by the end of 2013.

İşbank and its Activities in 2013

İşbank has a vision of sustaining its services through a pioneering, efficient and low-cost structure in the sense of centralizing operational transactions.

Innovative Applications and Product Development

İşbank maintained its technological innovation and infrastructure investments in 2013 with the vision of being the most preferred bank of Turkey among customers, shareholders and employers by sustaining its leader, pioneer and reliable position.

Customer experience is improved through new products and services.

İşbank, following its vision of being a pioneer in the market by enriching its product range, continued to offer new products and services to its customers in 2013.

- Through its efforts to protect history and culture, İşbank added the Müzekart "Museum Card" feature to its credit cards for the first time in Turkey. As part of this application, the Bank's credit cardholders may enjoy free visits to more than 300 museums and ruins for a period of one month in a year.
- The Maximum credit card with the Makromarket logo was offered to İşbank's customers. With this card, customers may earn Makro Points (MaxiPuan) when they shop at Makromarkets, and use these points when shopping at Makromarkets.
- İşbank's customers with contactless credit cards may use their cards to pay for bus and tramway trips within the Konya Metropolitan Municipality area.
- Instant shopping can be carried out through QR (Quick Response) codes in newspapers, magazines, posters and billboards as well as in websites with the İşbank Parakod service that can be used with mobile devices which have a camera and internet connection.
- In accordance with the Revenue Administration's communiqué numbered 70 which enforces member merchants use the payment Cash Register Devices, İşbank's member merchant system has been accorded with the new cash register-POS devices.

- İşbank started to offer SWIFT BPO services, which provide a bank guarantee and broad financing potential for payment methods without bank guarantees in foreign trade transactions.
- Salary payment orders, which were transmitted through an electronic environment, of corporate and commercial customers who prefer to conduct banking activities safely by using an electronic signature were accomplished by bringing them into the İşbank system and directly transferring them to customer accounting applications.

Leading steps in international service network

İşbank continued to work on extending the use of services such as Bankamatik, credit card and POS at its international branches in 2013. The Bank built the infrastructure to offer Bankamatik cards to customers in Iraq and Georgia. Work on expanding the transaction diversity and user experience in overseas internet branches continue at full pace.

Processes continuously being improved at İşbank.

İşbank continued to undertake improvements to its financial management infrastructure in 2013. Within the scope of the multi-dimensional customer profitability project, which was the most important transformation project initiated in 2012, all banking applications were integrated into the new profitability system in 2013. This project brings important benefits in the areas of customer and product pricing and financial reporting.

Works to entirely renew the credit card infrastructure started in 2013. With the new infrastructure, which is planned to become operational in 2014, İşbank aims to be able to more rapidly offer innovations in credit cards to the market, to increase product diversity and improve transactions in the branches.

In brief

- Gişematiks ensure up to 50% time-saving rates.
- Instant shopping through QR codes in magazines, posters and billboards with the İşbank Parakod
- Efforts continued to expand the diversity of transactions in overseas internet branches.

Works on raising the effectiveness of İşbank branches in credit card and retail loan underwriting operations continued in 2013. These efforts, which were aimed at the central underwriting of loans, simplifying the underwriting process and increasing effectiveness were completed during the year. Credit cards will also be provided through the new loan underwriting platform in 2014.

Activities to speed up branch transactions and improve employees' user experiences also continued in 2013. New front-ends were offered to İşbank branches in transactions which have a high volume, such as in the provision of loans, investment transactions and tax payment orders.

Time saving up to 50% with "Gişematik"

Gişematik (Teller Cash Recycler) devices ensure secure counting and storage of banknotes and provide time savings of up to 50% in pay-desk transactions at branches.

The existing devices in 344 İşbank branches were replaced with Gişematik devices, which offer much more advanced features. Foreign currency transactions were also provided through Gişematiks. At the end of the year, there were Gişematik devices in 977 İşbank branches.

Improving process efficiency in Shared Services Center through the Operational Excellence Program

İşbank has a vision of sustaining its services through a leading, innovative, efficient and low-cost structure in the sense of centralizing operational transactions.

Conducting its activities under ISO 9001 quality certification, İşbank's Shared Services Center has been providing quality-focused services aimed at enhancing customer satisfaction and alleviating operational workloads at the Bank's branches since 2005. Some of the major Joint Service Center activities are as follows:

- EFT and money transfer orders, social security premium and contractor staff salary payments,
- Cheque and promissory notes processing,
- Foreign trade operations and FC transactions,
- Commercial loan activities,
- Credit card operations,
- Monitoring and tracking of overdue receivables.

The number of transactions and the scope of the Shared Services Center have been increasing day by day, while the activities on continuously improving the processes have continued. As part of this process, significant improvements have been achieved through the Operational Excellence Program, which was initiated in 2013 with the aim of increasing the effectiveness and efficiency of business processes. Within the scope of this project, in which processes are individually examined and improved upon through agile project methodology, a wide range of operations were realized at all branches in 2013, by taking them to new processes.

İşbank attaches importance to the development of its employees.

İşbank improved its training activities in parallel to technological developments, by deploying an online sharing platform that enhances information sharing, a video portal and e-learning applications, realizing important innovations to support its employees' personal learning efforts through different channels.

Subsidiaries

İşbank follows investment opportunities that offer growth and high profit potential in the finance sector.

Subsidiaries engaged in the financial services sector enrich products and services range of İşbank and bolster its competitive strength.

Since its establishment in 1924, İşbank has acquired equity stakes in a total of 293 companies, and has divested itself of 267 of them in time. As of 2013 year-end, the Bank had direct participations in 26 firms, and has direct or indirect control in 112 companies.

72% of İşbank's participations portfolio is traded on the Borsa İstanbul National Market.

Constituting 72% of İşbank's equity stake portfolio, Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Hayat Emeklilik A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. are publicly listed companies and their shares are traded on the BIST National Market.

The ratio of the participations portfolio in İşbank's total assets stood at 3.7% at the end of 2013.

An equity stake policy focused on efficiency and profitability

İşbank places great importance on enhancing the efficiency of its participations portfolio when making its equity investment decisions. In line with this investment strategy, İşbank follows investment opportunities that offer growth and high profit potential in the finance sector.

Finance

İşbank has financial services subsidiaries that are active in business lines such as banking, insurance, private pensions, capital market brokerage, portfolio management, venture capital, factoring, reinsurance, financial leasing, asset management, securities investment trust, investment banking and real estate investment trust.

Financial services subsidiaries enrich the range of products and services offered by the Bank to customers in different business lines while also creating complementary and cross product delivery and sales opportunities.

TSKB

Turkey's first private investment and development bank

One of the pioneers of the Turkish banking sector, Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) has been playing a continuous and indispensable role in Turkey's economic development since its foundation in 1950. The Bank continues to contribute to sustainable value for its stakeholders and the national economy with its economic, environmental and social performance.

TSKB offers a wide range of services including investment loans, project finance, financial leasing and investment banking, principally corporate finance services. Providing increasing and continuous contributions to the sustainable development of the Turkish economy through long-term funding of investment projects and customer-specific consultancy services, TSKB takes into consideration the environmental impact of the loans it extends. The Bank, provides resources for renewable energy, energy efficiency, sustainable tourism, environmental and SME investments in a variety of sectors by making use of lines of credit obtained from supranational agencies.

Named the Sustainable Developing Markets Bank of the Year for Eastern Europe in 2008, 2009 and 2010 at the Sustainable Banking Awards conducted jointly by the Financial Times and the International Finance Corporation (IFC), TSKB extended its success within the context of the same award, being ranked as one of the three most successful banks in Europe in terms of sustainability in 2011 and 2013.

Winning acclaim in both categories by being ranked among the highest rated companies in terms of "Transparency" and "Performance" ratings within the context of "2013 CDP (Carbon Disclosure Project) Turkey Climate Change Leadership Awards", TSKB was also rewarded by the international audit firm, BSI, thanks to its environmental management system.

Having uninterruptedly adopted the principles of corporate governance since its establishment, TSKB, with its rating increased to 9.40 out of 10 in October 2013, once again awarded for capturing the top spot in 'The Highest Rated Corporation in terms of Corporate Governance', as issued by the Corporate Governance Association of Turkey (TKYD).

Millî Reasürans is the only local reinsurer in the Turkish insurance market.

On a consolidated basis, TSKB recorded TL 2.0 billion in shareholders' equity and TL 13.4 billion in total assets at the end of 2013. In October 2013, Fitch upgraded TSKB's long-term local currency IDR rating from "BBB-" to "BBB" with a 'Stable' outlook while affirming its "AAA (tur)" long-term national credit rating.

www.tskb.com.tr

İşbank Germany

A leading financial institution in Europe with Turkish capital

Founded by İşbank in 1992 in Germany to engage in commercial banking in Europe, İşbank Germany is today regarded as one of the leading financial institutions in Europe with Turkish capital.

Headquartered in Frankfurt, İşbank Germany operates through 17 branches, 13 of which are located in Germany with one each in the Netherlands, France, Switzerland and Bulgaria. As of the year-end of 2013, İşbank Germany had EUR 917 million in total assets and EUR 130 million in total shareholders' equity on an unconsolidated basis. İşbank Germany provides trade finance, corporate banking and retail banking products and services to customers both in Turkey and Europe, as well as financing services for real estate properties in Turkey.

www.isbank.de

İşbank Russia

Serving at 12 points in Russia

İşbank Russia, operating in Russia, was acquired and added to İşbank's participations portfolio in April 2011 to develop and expand İşbank's international banking activities.

With 290 employees on its payroll at the end of 2013, İşbank Russia operates with a total of 12 service points in the cities of Moscow, Balakovo, Saratov, Saint Petersburg, Samara and Novosibirsk.

As of September 2013, İşbank Russia had USD 263.3 million in total assets and shareholders' equity of USD 76.2 million on an unconsolidated basis, according to Russian accounting standards.

www.isbank.com.ru

Anadolu Hayat

Turkey's leading private pension company

Turkey's first life insurer, Anadolu Hayat Emeklilik A.Ş. (Anadolu Hayat Emeklilik) is the only publicly-held company operating in the country's private pension and life insurance sector.

At the end of 2013, Anadolu Hayat had achieved the highest contribution and largest volume of private pension assets under management, with assets worth TL 7.9 billion and shareholders' equity of TL 540 million on a consolidated basis.

www.anadoluhayat.com.tr

Anadolu Sigorta

The pioneer company of Turkish insurance sector

Operating in non-life insurance branches, Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is one of Turkey's leading general insurance companies. At the end of 2013, the company posted TL 2.7 billion in premium production, while recording TL 3.0 billion worth of assets and TL 653 million in shareholders' equity on a consolidated basis.

İşbank controls Anadolu Sigorta indirectly through its reinsurance subsidiary, Millî Reasürans.

www.anadolusigorta.com.tr

Millî Reasürans

Uninterrupted reinsurance services since 1929

Millî Reasürans T.A.Ş. (Millî Reasürans), the -deep-rooted reinsurance company in the Turkish reinsurance sector, was founded in 1929.

A.M. Best, one of the world's most respected insurance industry rating agencies, has affirmed Millî Reasürans a financial strength rating as "B+ (April 2013)", while Standard & Poor's Millî Reasürans national credit rating is "tr AA+ (July 2013)". In line with its strategy of bringing the reinsurance knowledge and experience acquired in its domestic market into the global arena, Millî Reasürans opened a branch in Singapore. By the end of 2013, the premiums collected from abroad accounted for 24% of the company's total premium collection. At the end of 2013, the company had TL 4.4 billion in total assets and shareholders' equity of TL 976 million, on an unconsolidated basis.

www.millire.com

Subsidiaries

İş Yatırım was selected as “The Best Investment Bank in Turkey” by EMEA Finance and the Euromoney Magazine and as “The Most Admired Broker” by Capital Magazine in 2013.

İş Leasing

A pioneer in the financial leasing sector

Having been one of the pioneers of the leasing sector in Turkey since its foundation in 1988, İş Finansal Kiralama A.Ş. (İş Leasing) undertakes its activities with a mission of attaching priority to funding SMEs, developing and maintaining a broad-based and high-quality portfolio and satisfying customers' demands with effective, fast and high-quality solutions.

At the end of 2013, İş Leasing had TL 3.5 billion in total consolidated assets and TL 604 million in shareholders' equity, while its portfolio of financial leasing contracts had an aggregate value of TL 2.2 billion.

In October 2013 assessment, the international credit rating agency Fitch Ratings affirmed İş Leasing long-term foreign currency rating as “BBB”, its long-term local currency IDR as “BBB” and its long-term national credit rating as “AAA(tur)”. The Company's corporate governance rating was revised in December 2013 with an upgrade to 9.11 out of 10.

www.isleasing.com.tr

İş GYO

One of Turkey's largest real estate investment trusts

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş GYO) maintains a portfolio of real estate properties, consistently enhancing their quality and also develops new projects aimed at further expanding and diversifying the portfolio. In the assessment report prepared by JCR Eurasia Rating in December 2013, the company's CMB Corporate Governance rating was upgraded from 8.53 to 8.81.

At the end of 2013, the company had TL 1.7 billion in total assets and TL 1.2 billion in shareholders' equity on a consolidated basis.

www.isgyo.com.tr

İş Yatırım

A leading and pioneering investment house in the capital markets

İş Yatırım not only provides traditional brokerage services in domestic and international capital markets but also Corporate Finance, Investment Advisory, Asset Management, Brokerage and Research services to domestic and foreign investors. İş Yatırım Menkul Değerler A.Ş. (İş Yatırım) is the only brokerage house in Turkey to be publicly traded on the BIST National Market.

İş Yatırım has sustained a leading position on the BIST Equity Market for 11 years, and on the Futures and Options Market for 9 years since the establishment of the market. Furthermore, the company has also led the market in terms of issuance and public offerings of equities and private sector bonds since its establishment.

İş Yatırım - a pioneer and leader in Turkey's capital markets - was named the Best Investment Bank in Turkey at the Europe Banking Awards organized by EMEA Finance, and at the “Awards for Excellence” organized by Euromoney, while being selected as “The Most Admired Broker” by the Capital Magazine in 2013, for its success in providing customers with corporate finance, brokerage, investment consultancy and asset management services.

In the assessment report prepared by JCR Eurasia Rating in September 2013, the company's CMB Corporate Governance rating was revised from 8.87 to 9.06.

İş Yatırım's “AAA” long-term national credit rating was affirmed by the international rating agency, Fitch Ratings in November 2013. İş Yatırım had TL 4.9 billion in total assets and TL 917.4 million in shareholders' equity on a consolidated basis by the end of 2013. İş Yatırım was the first local brokerage house in the Turkish capital markets to have financial bills trading on the market and to issue brokerage house warranty orders.

www.isyatirim.com.tr

The Şişecam Group is among leading companies in glass manufacturing industry both in the World and in Europe.

Glass

Şişecam

The founder and indisputable leader of the Turkish Glass Industry

Established in 1935, Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam) is the holding company of the Şişecam Group, consisting of 66 companies active in the fields of flat glass, glassware, glass packaging and chemicals (mainly soda ash and chromium chemicals). In addition to Şişecam, the parent company of the Group, - Trakya Cam, Anadolu Cam, Denizli Cam and Soda Sanayii shares are also listed on the Borsa İstanbul.

The Şişecam Group carries out production in its facilities and plants located in Turkey as well as in Egypt, Russia, Georgia, Bulgaria, Bosnia-Herzegovina, Italy, Ukraine, Romania, Germany, Hungary, Slovakia and India. Based on September 2013 figures, producing 35% of their combined glass output outside Turkey (as measured on a tonnage basis) and obtaining 48% of their total sales revenue from international sales, Group exports amounted to USD 622 million in more than 150 countries by the end of September 2013. Having been named the "Exporter of the Year" at the "Stars of Export" contest organized in 2012, in recognition of the Group's high export generation, Şişecam Group works to consistently increase its production strength through investments aimed at creating new capacity.

Positioned as one of the world's and Europe's leading companies in the glass manufacturing industry, the Şişecam Group ranked third to sixth in the world and second to fourth in Europe, in terms of its production capacity in glass manufacturing.

Taking the fourth spot in Europe in terms of soda production capacity, the Group is the world leader in the production of basic chromium sulphate and sodium bichromate.

As of September 2013, Şişecam had total consolidated assets worth TL 10.9 billion and TL 6.3 billion in shareholders' equity.

In April 2013, Standart & Poor's affirmed Şişecam long-term local and foreign currency credit rating as "BB +" and its short-term global scale corporate credit rating as "B" with a "Stable" outlook, while Moody's affirmed its long-term credit rating as "Ba1" with a "Stable" outlook.

Eight of Şişecam Group companies were listed in the 2012 edition of the "Turkey's Top 500 Industrial Enterprises".

www.sisecam.com.tr

Telecommunication

Avea

Turkey's sole GSM 1800 mobile operator

As of year-end of 2013, Avea İletişim Hizmetleri A.Ş. (Avea) has a market share of 21% in the mobile telecommunications market in Turkey with approximately 14.5 million subscribers.

According to the company's IAS-compliant financial statements, at the end of 2013, Avea had total assets worth TL 6.9 billion and TL 4.0 billion in shareholders' equity on an unconsolidated basis.

Offering its customers innovative, distinctive and high value added technology products and services, Avea regularly invests in projects to expand its network infrastructure and further develops its information technology and R&D capabilities.

www.avea.com.tr

Other

Nemtaş

Maritime transportation

Nemtaş Nemrut Liman İşletmeleri A.Ş. (Nemtaş) is a ship-owner company that is active in shipping management, chartering and brokering. The company undertakes its activities with a fleet of five dry-bulk vessels with a total capacity of 252,959 DWT. At the end of 2013, the company had TL 507 million in total assets and TL 438 million in shareholders' equity on an unconsolidated basis.

www.nemtas.com.tr

Corporate Social Responsibility Activities

İşbank regards corporate social responsibility as a highly valuable and fundamental tool which accomplishes its economic mission and contributes to social sustainability.

İşbank conducts social responsibility activities which contributes to social progress structured in

- long-lasting,
- far reaching,
- sustainable

framework. Holding a deep-seated sense and culture of social responsibility, İşbank has undertaken its activities which have supported society for 89 years. İşbank regards corporate social responsibility as a highly valuable and fundamental tool which accomplishes its economic mission and contributes to social sustainability.

The Bank continued its projects in education, culture and art in 2013.

Education

Chess

Main sponsorship of Turkish Chess Federation

With the aim of making chess a popular, widely played and easily accessible sport practiced across the country, in December 2005, İşbank involved in a comprehensive collaboration with the Turkish Chess Federation and became the primary supporter on a national scale. Since the beginning of the sponsorship, developments in chess both in national and international areas, a rapid increase in the number of licensed players, medals and other similar indicators serve to confirm the positive results of the social investment made in chess and, therefore, in the future of children and the country. Since the initiation of İşbank's sponsorship of the sport:

- The number of chess players increased from 30,000 to 366,000,
- The number of medals won in international competitions reached to 225.

Highlights from the projects conducted in 2013, in line with the targets of the sponsorship are mentioned below.

Setting up İşbank Chess Classes in primary schools

Chess classes have been introduced in primary schools as a method to show that chess is an easily accessible sport, to encourage schoolchildren to play chess, to focus the attention of teachers and parents on the sport, and to address any lack of resources at schools with limited financial means.

A total of 2,100 chess classes were launched in 2013 and the number of chess classes opened in schools reached 10,241 in total. Chess classes will continue to be introduced in the coming period in order to increase the number of players, raise public awareness and popularize chess in our country.

Chess license cards dispensed by İşbank branches

Since 2007, licenses granted by the Turkish Chess Federation to its registered players have been issued in the form of Bankamatik (ATM) cards, in order to foster a strong and long-lasting relationship with the players and their families within the scope of the support given to the sport. License cards come in three kinds:

- Electron Bankamatik cards for players who are over 18 years old,
- Maestro "First Signature" Bankamatik cards for players in the 12 to 18 age group,
- A token plastic card for players under the age of 12.

Satrancoyna.com.tr

Playchess is the world's largest online chess platform with 250,000 registered users. In 2008, İşbank entered a comprehensive collaboration with Playchess. The content of the site was translated into Turkish and access was provided through the www.tsf.org.tr website. More than 5,000 licensed chess players who log in to playchess.com from Turkey can play online chess on the website free-of charge.

İşbank Chess Festival for Children Under 8

The "İşbank Chess Festival for Children under 8", which was organized immediately following the end of the academic year, aims to provide children with a fun and a family-friendly chess-playing environment. The annual festival, held for children under the age of 8 in 2013, took place at the Çamlica Sports Complex; it was attended by chess players in the 6-8 age group. Children attending the festival played chess and participated in many other enjoyable games and activities.

Main Sponsorship of T.R.N.C. Chess Federation

İşbank carried its support for chess to the Turkish Republic of Northern Cyprus (T.R.N.C.) Becoming the main sponsor of T.R.N.C. Chess Federation at the end of 2013, İşbank will start to open chess classes in primary schools in the T.R.N.C. as of 2014.

In brief

- İşbank has worked in cooperation with the Turkish Chess Federation (TCF) since 2005 with the aim of transforming chess into popular, widely played and easily accessible sport.
- 2,100 chess classes were opened in 2013 and the total number of chess classes opened in schools reached 10,241.
- İşbank became a main sponsor of the T.R.N.C. Chess Federation at the end of 2013.

Turkish Youth Chess Championship-U12

İşbank closely follows the Turkey Junior and Youth Chess Championship, another area in which the Bank supports chess, while also conducting communication activities.

In 2013, Turkey Junior Chess Championship was held in Kemer between 27 January and 1 February, with 1,329 players from the 7-12 age group attending the championship from 54 cities both in Turkey and Turkish Republic of Northern Cyprus (T.R.N.C). A total of 133 players were selected for the National Team pool.

Turkish Youth Chess Championship-U18

The Championship was held in Isparta between 21-27 July, 2013. A total of 303 players from the 13-18 age group attended the event and 74 players were selected for the National Team pool.

Türkiye İş Bankası Chess League

Chess matches and tournaments continued to be organized by the Bank under the designation "Türkiye İş Bankası Chess League." Beşiktaş JK (Beşiktaş Gymnastics Club) won the Türkiye İş Bankası Chess League's 2012-2013 season championship.

The "Türkiye İş Bankası Chess League" is the strongest league in its field in Turkey and is also considered to be one of the strongest leagues in Europe.

Tournament at İş

Designed to raise popularity for the sport among İşbank employees and foster employee communication, a chess tournament entitled "Tournament at İş" was held on 26 May 2013 at the Çamlıca Sports Complex.

81 Students from 81 Cities

İşbank invests in the future to support social development and ensure the improvements are long-lasting. To this end, the Bank places particular emphasis on education. In cooperation with the Darüşşafaka Society, İşbank has been conducting one of the longest running and highest value-added social responsibility projects ever undertaken in the field of education in our country; the visionary project entitled "81 Students from 81 Cities".

The Darüşşafaka Society provides education to orphaned children and children with a single parent who are in financial need. Pupils are admitted to the all-expenses-paid boarding school beginning in their fifth year of education and until completion of their final year at high school. The roots of

cooperation between İşbank and Darüşşafaka, which aims to provide a quality education, social progress and a warm, supportive environment to the students, date back 74 years when the Bank assumed full responsibility for the education expenses of 83 children at Darüşşafaka, who were earthquake victims after the Erzincan Earthquake in 1939.

Under the "81 Students from 81 Cities" project, each year İşbank pays the educational expenses for 81 children from 81 cities who successfully pass the entrance exam. The Bank intends to continue supporting these students throughout their university education.

The first students, who were admitted to the program in the 2008-2009 academic year, are expected to graduate from university in the 14th year of the project. By that time, it is estimated that İşbank will have supported more than 1,000 students.

Students who started their education in 2008 - the first year of the project - are ninth grade students in the 2013-2014 academic calendar. A total of 388 students continue their education at Darüşşafaka under the "81 Students from 81 Cities" project. İşbank also contributes students' social progress beyond financial support through several activities.

One Million Books, One Million Children

As the 2007-2008 academic year drew to a close, İşbank launched one of the most comprehensive reading-related campaigns ever undertaken in Turkey. Dubbed "One Million Books, One Million Children", the goals of this campaign are as follows:

- to support children's cognitive and cultural abilities,
- to contribute to raising a generation that reads and queries,
- to help develop warm relations between the Bank and children at an early age.

Over the last six years, seven million books have been distributed to primary students.

Corporate Social Responsibility Activities

İş Bankası Kültür Yayınları published more than 2 million books for its readers in 2013.

Book aid for schools and libraries

Books published by İş Bankası Kültür Yayınları are sent to schools and public libraries throughout Turkey as part of social responsibility mission to contribute to education. In 2013, approximately 10,000 books were delivered to 941 schools.

Other İşbank activities in the field of education in 2013 included:

- "Firefly Mobile Learning Unit" project, in collaboration with the Educational Volunteers Foundation of Turkey (TEGV),
- Annual "Golden Youth" awards,
- Educational grants for earthquake victim students.

Environment

81 Forests in 81 Cities

As part of "81 Forests in 81 Cities" project, launched in 2008 to protect the environment and to raise environmental awareness within society and particularly among children, 2,205 thousand saplings were planted over a total area of 1,500 hectares in all cities. Works on the project, which covers the care of the saplings for 5 year period, continued in 2013.

In parallel with the 81 Forests in 81 Cities project held in Turkey, the "Türkiye İş Bankası T.R.N.C. Forest" was established with the cooperation of the TEMA Foundation and T.R.N.C. Forestry Department. A total of 35,200 saplings were planted on a total area of 22 hectares in the "Türkiye İş Bankası T.R.N.C. Forest", the area of which was determined by the T.R.N.C. Forestry Department.

Culture and the Arts

İş Bankası Kültür Yayınları

Kültür Yayınları was established in 1956 by Hasan Âli Yücel, the former Minister of Education. Since then, Kültür Yayınları has been providing Turkish readers with a steady stream of publications that are both rich in content and superior in quality. Attracting widespread interest with its publications, Kültür Yayınları is a publishing house indispensable first and foremost for researchers as well as readers in general. By the end of 2013, Kültür Yayınları had published more than 2 million publications for its readers.

Kültür Yayınları prepares its publications under 13 separate headings listed below:

- Hasan Âli Yücel Classics
- History and Memoir
- Modern Classics
- Childhood and Youth
- Literature (Turkish-World)
- River Conversations
- 99- Pages Series
- Life Culture
- Chess
- Art
- Economics, Business Administration and Personal Development
- Examination and Research
- Social and Human Sciences

İş Sanat Concert Hall

Concerts held at İş Sanat, which conducts activities with the intention of advancing the arts in Turkey, are one of the most prestigious events in İstanbul. In the course of the 13 seasons since its opening, İş Sanat has attracted more than 500,000 art lovers at nearly 800 events, and is the only concert hall - not only in Turkey but also in the whole world - to receive its resources from a bank and which belongs to one entity.

İşbank invests in the future to support social development and ensure that the improvements are long-lasting.

In celebration of its 13th anniversary, İş Sanat hosted 39 concerts, 8 children's events and 5 poetry readings in the last season.

İş Sanat launched the season on 2nd November, 2013 with a concert provided by the young artist, Özgür Aydın, one of Turkey's rising stars, and the Borusan İstanbul Philharmonic Orchestra, a leading symphony group in Turkey.

Türkiye İş Bankası Müzesi (İşbank Museum)

With its inauguration in 2007, the İşbank Museum offers a narrative of the Bank's own history and Turkey's economic development with documents, banking equipment, communication devices, photographs, pictures, advertisements and promotional materials and films.

The initial establishment of the museum's collection was marked by painstaking efforts to collect documents, photographs, films, objects and even the cherished memories of those who had been involved in events across the country, and was followed by their documentation, restoration, and preservation to ensure that these assets are passed on to future generations.

Workshops are organized in the museum to teach financial literacy to children. Furthermore, similar workshops are also organized for university students studying particularly in the economics and business administration faculties. Total of more than 3,000 students attended the workshops in 2013.

İşbank Museum received almost 65,000 visitors in 2013, with a total of 350,000 visitors having visited since the opening.

İş Sanat Art Galleries

İş Sanat Kibele (İstanbul) and İzmir Art Galleries display paintings, sculptures and ceramics created by both established masters and promising newcomers on the art scene.

The collection is expanded by the works of artists which was exhibited in İş Sanat Art Galleries, artists who have a place in the history of Turkish plastic arts.

Kibele Art Gallery hosted retrospective exhibitions of works by Neşet Günal, Zahit Büyükişliyen, Hüsamettin Koçan and Naile Akıncı in the 2012-2013 season.

Over the 2012-2013 season, the İzmir Art Gallery hosted seven exhibitions displaying large collections of paintings, prints and ceramics. Attracting tremendous interest, the gallery's shows included the Zahit Büyükişliyen exhibition, brought to İzmir after its presentation at the Kibele Art Gallery.

Mimar Sinan Fine Arts University Laboratory and Art Works Project

With the opening of Artwork Conservation and Restoration Laboratory, restoration work for the İşbank Art Collection was initiated. Additionally, the undergraduate program of the Conservation and Restoration of Works of Art, set up in the university, opened its doors this year with 10 students.

Sponsoring the excavation work for the Zeugma Ancient City "House of Muses"

Initiated in 1987, excavation work in the Zeugma Ancient City is close to be finished. The City is located on the shores of the Birecik Reservoir in Nizip, Gaziantep, one of our country's most important historical and cultural landmarks. Items obtained from the excavation work are exhibited in the Zeugma Open Air Museum.

The "House of Muses", which was found in 2007, is one of the excavation areas in the Zeugma Ancient City. It was decided that the excavations to be performed in the Ancient city would significantly contribute to the protection of our national cultural heritage and the İşbank undertook the sponsorship of "House of Muses" for a period of five years starting from 2012.

International İstanbul Music Festival organized by the İstanbul Foundation for Culture and Arts

As a trustee member, İşbank supports the projects of İstanbul Foundation for Culture and Arts which conducts international film, theatre, jazz and classical music festivals, along with the International İstanbul Biennial.

The 41st International İstanbul Music Festival was held between 4th and 29th June, 2013. İşbank contributed the "Amsterdam Sinfonietta & Sol Gabetta" concert which was staged at the Hagia Irene Museum.

İşbank and Sustainability

İşbank has prioritized the notion of sustainability since its establishment.

Sustainability for İşbank is the basis to fulfill commitments to stakeholders in the short, medium and long term.

Sustainability is an important issue for the success, welfare and future of the customers, business partners and all of the stakeholders as well as for the Bank itself. Sustainability has been prioritized at İşbank since 1924 and has guided the Bank in all issues from product and service development to service offering and adding value to society. İşbank evaluates sustainability under the following titles and continues to work to generate persistent value.

Economic performance

As a responsible corporate citizen, İşbank attaches the utmost importance to protecting its capacity to meet the needs of its customers accurately through its products and services, with strength and stability in all activities which are crucial in maintaining sustainable growth.

Contribution to economic development

İşbank extends the resources that firms and individuals need to realize their investments, projects and dreams for the future. The Bank continuously contributes to economic growth.

Activities to protect and improve the environment

İşbank sees environment as an indispensable fact which must be protected to ensure a sustainable future. The Bank proactively follows how the projects it extends resources to impact the environment. On the other hand, İşbank conducts many activities aimed at protecting the environment as a world citizen.

Social responsibility projects aimed at creating a lasting difference

With projects conducted in education, environment, culture and art, İşbank aims to contribute to social development and make a difference for the next generations.

Activities to improve the working environment, which encourage participation, diversity and creativity

İşbank is among Turkey's biggest and widest employers with 24,129 employees. İşbank believes that its corporate performance depends on the welfare and future of its employees. Accordingly, the Bank continues to improve its working environment, which respects human rights, encourages participation and supports diversity and creativity. İşbank is still the first choice for the most competent human resources in the market.

Activities foreseeing the sustainability of supply chain

İşbank's supply policy aims for the procurement of products and services bought as part of operation cycle to be made from a diversified and rich supplier pool. In addition, the Bank also targets the development of long term and strong relations with suppliers. In other words, sustainability in the supply chain is an important and fundamental tool for İşbank, and also an important determinant of its corporate performance.

Sustainability reporting

İşbank presents information concerning sustainability performance in different axes to its stakeholders in the form of annual sustainability reports which comply with Global Reporting Initiative standards.

İşbank is a signatory of the UN Global Compact.

İşbank declared its commitment under the UN Global Compact to the United Nations on 7th March, 2012. In its 2012 Sustainability Report, the Bank reported the developments within the context of 10 global principles that it had adopted and implemented in its activities.

Annual Report Compliance Opinion



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To the Shareholders of Türkiye İş Bankası Anonim Şirketi:

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye İş Bankası Anonim Şirketi ("the Bank") with the audited financial statements as of 31 December 2013. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on our audit.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report represents fairly, in all material respects, the information regarding the financial position of Türkiye İş Bankası Anonim Şirketi as of 31 December 2013 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,
6 March 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Engagement Partner

Board of Directors



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1- H. Ersin Özince Chairman

Born in Havran in 1953, H. Ersin Özince graduated from the Business Administration Department of the Faculty of Administrative Sciences, Middle East Technical University. He started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working at various managerial positions at İşbank, Ersin Özince was promoted to the post of Deputy Chief Executive in 1994 and until he became the 15th CEO of İşbank on 28 October 1998, his responsibilities encompassed the Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. He was elected as a Board member on 31 March 2011 and he has been serving as the Chairman since 1 April 2011. He was also elected as the Chairman of the Remuneration Committee on 29 December 2011.

In April 2011, Mr. Özince resigned from his role as the Chairman of the Banks' Association of Turkey, which he had been serving since May 2002.

He is the Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund and the Board of T. Şişe ve Cam Fabrikaları A.Ş. along with his memberships at the Institute of International Finance (IIF), Institut Internationale d'Etudes Bancaires (IIEB) the Board of Trustees of the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA) and the Board of Trustees of Bilkent University.

2- Füsün Tümsavaş Vice Chairman

Born in Ankara in 1957, Mrs. Füsün Tümsavaş graduated from the Department of Economics-Finance of the Faculty of Political Science at Ankara University. She started her professional career at Ankara Branch of Central Bank of the Republic of Turkey in 1979. In 1981, she started to work at İşbank's I. Loans Department as an Officer and became Assistant Section Head and Assistant Credit Specialist at the same department. She was appointed as an Assistant Manager in 1994 and as a Unit Manager in 1999 at the aforementioned department. She became the Head of Commercial Loans Department in 2004.

Mrs. Füsün Tümsavaş was elected to İşbank's Board on 28 March 2008 and 31 March 2011 and was appointed as the Vice Chairman of the Board of Directors on 30 May 2011. Furthermore, she continues her duty as a member of the Credit Committee since 2 April 2008 and as the Chairman of the Risk Committee, Audit Committee and the T.R.N.C. (Turkish Republic of Northern Cyprus) Internal Systems Committee since 30 May 2011 and she was also elected as the Chairman of Corporate Governance Committee on 27 February 2013. On 27 July 2011, she was elected as the Vice Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund.

3- Adnan Bali Member of the Board and Chief Executive Officer

Born in İslahiye in 1962, Mr. Adnan Bali graduated from the Department of Economics of the Faculty of Economics and Administrative Sciences, Middle East Technical University. He joined İşbank as an Assistant Inspector on the Board of Inspectors in 1986. He became an Assistant Manager in 1994 and a Unit Manager in 1997 at the Treasury Department and was appointed as the Head of Treasury Department in 1998. Mr. Adnan Bali was appointed as the Manager of Şişli Branch in 2002, the Manager of Galata Branch in 2004 and Deputy Chief Executive on 30 May 2006.

Mr. Adnan Bali was appointed as the 16th Chief Executive Officer of İşbank on 1 April 2011. He has been serving as the Chairman of the Credit Committee and member of the Risk Committee. He is the Chairman of the Board of Directors of Industrial Development Bank of Turkey (TSKB), İşbank Germany and İşbank Russia. Besides, he has memberships at the Board of Directors in İşbank Batumi/ Georgia Branch, Vehbi Koç Foundation, the Institute of International Finance, Darüştüfakka Association and the Board of Trustees of the Association, Turkish Industry and Business Association, Istanbul Foundation for Culture and Arts, Turkish Finance Managers Association and the Board of Trustees of TEMA Foundation.

4- Prof. Dr. Savaş Taşkent Member of the Board

Born in İyidere in 1943, Prof. Dr. Savaş Taşkent graduated from the Faculty of Law, İstanbul University. He started his academic career as an assistant in 1971, in the Department of Law of the Faculty of Basic Sciences, İstanbul Technical University. He received his Ph.D. degree from the Faculty of Law of İstanbul University and became assistant professor at İstanbul Technical University, Department of Management Engineering and associate professor in the Department of Labour and Social Security Law and professor in 1990, in the same Department. He served as the vice-dean and the vice-rector. He served as an advisor to the Ministry of Labour and Social Security and attended ILO Conferences in Geneva as the advisor to the Government.

He is currently an hourly professor in Management Engineering Department of Faculty of Management, and advisor to the Rector related to legal affairs in İstanbul Technical University. Prof. Dr. Savaş Taşkent was appointed to İşbank's Board on 31 March 2005, on 28 March 2008 and on 31 March 2011. He was also appointed as the member of İşbank Audit Committee on 26 March 2008, of Turkish Republic of Northern Cyprus Internal Systems Committee on 15 June 2009, and of Remuneration Committee on 29 December 2011 and of Corporate Governance Committee of İşbank on 27 February 2013.

5- Hasan Koçhan Member of the Board

Born in Trabzon in 1957, Mr. Hasan Koçhan graduated from the Banking Department of the Banking Insurance Trade Institution of Higher Education of Ankara Academy of Economic and Commercial Sciences. Beginning his career at İşbank as an Officer in Maçka/Trabzon Branch in 1984, Mr. Koçhan was appointed to Bayburt Branch as an Assistant Section Head and served at the same position in Yomra/Trabzon, Bulancak/Giresun and Trabzon Branches. He served as a Sub-Manager and Assistant Manager in Trabzon Branch. He was appointed as a Branch Manager to Park/Trabzon, Ordu, Gaziantep and İzmit/Kocaeli Branches.

He was elected to İşbank's Board on 3 November 2008 and 31 March 2011. He has been serving as Alternate Member of Credit Committee since 31 March 2009 and as member of the Credit Committee since 30 May 2011.



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6- Aynur Dülger Ataklı Member of the Board

Born in Ankara in 1958, Mrs. Aynur Dülger Ataklı graduated from the Department of Economics Finance of the Faculty of Political Science of Ankara University. She began her professional career in 1979 as a research assistant in the Faculty of Political Science at Ankara University.

During the period of 1980-1991, she served as Assistant Specialist, Specialist and Member of Private Specialization Commission at the State Planning Organization, during the period of 1991-1998 served as Specialist, Department Head and Deputy General Manager at Republic of Turkish Prime Ministry, the Undersecretariat of Treasury, General Directorate of Foreign Capital, as the Chairman of Metek A.Ş. (Berlin), as a Member of the Board of Sivas Demir Çelik İşletmeleri A.Ş. and during the period of 1998-2011 served as Counselor at the Undersecretariat of Treasury, General Directorate of Foreign Capital.

In 1990, Mrs. Aynur Dülger Ataklı attended "Senior Public Administration Techniques and European Union" programs at RIPA, the Royal Institute of Public Administration in London.

Mrs. Ataklı was elected to İşbank's Board on 31 March 2011 and has served as member of the Corporate Social Responsibility Committee since 1 April 2011.

7- M. Mete Başol Member of the Board

Born in İstanbul in 1957, Mr. Mehmet Mete Başol graduated from the Economics Department of Arizona State University. Between 1984-1988 he worked at Interbank at various positions, between 1988-2001 he served as Deputy Chief Executive, Chief Executive Officer and Chairman of the Board at Turk Merchant Bank A.Ş., Bankers Trust A.Ş. and at Deutsche Bank A.Ş. Between 2001-2003, he has undertaken the post of Managing Director of the Board at Ziraat Bank and Halkbank He has also served as Member of the Board of Galatasaray Sports Industrial and Commercial Investments A.Ş.

Mr. Başol has been serving as Independent Member of the Board and Member of the Committee Responsible for Audit at Anadolu Efes Biraçılık ve Malt San. A.Ş., Independent Member of the Board and Head of Committee Responsible for Audit at Coca Cola İçecek A.Ş., Member of the Board of Dedeman Holding A.Ş. and Dedeman Turizm Yönetimi A.Ş. Furthermore, he is the owner of Mehmet Mete Başol Private Company.

Mr. Mehmet Mete Başol was elected to İşbank's Board on 31 March 2011 and was elected as alternate member of the Credit Committee on 1 April 2011.

8- Mustafa Kıcaloğlu Member of the Board

Born in Silifke in 1946, Mr. Mustafa Kıcaloğlu graduated from the Faculty of Law at Ankara University and completed the "Public Administration Postgraduate Expertise Program" at Public Administration Institute for Turkey and the Middle East.

He began his career as the Prospective Judge of Silifke; then he served as Aralık and Giresun Deputy Public Prosecutor and as Judge of Baskil, Çankırı, Kocaeli and Ankara. In 2001, Mr. Kıcaloğlu was elected as Member of the Supreme Court and he became retired due to age limit when he was the Head of the 4th Civil Chamber of the Supreme Court in 2011.

Mr. Mustafa Kıcaloğlu was elected to İşbank's Board on 31 March 2011.

9- Aysel Tacer Member of the Board

Born in Siverek/Şanlıurfa in 1959, Ms. Aysel Tacer is a graduate of the Business Administration Department of the Faculty of Economics and Administrative Sciences of Marmara University. She began her career at İşbank as an Officer at Taksim Branch in 1980.

Ms. Aysel Tacer served as an Assistant Section Head and a Financial Analyst at the Credit Information and Financial Analysis Department between 1983-1989; became an Assistant Credit Analyst in 1989 and an Assistant Manager in 1993 at Şişli Branch. Between 1996-2011 she served as the Manager of Akatlar, Çarşı Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches.

Ms. Aysel Tacer was elected to İşbank's Board on 31 March 2011. On 1 April 2011 she was elected as member of the Corporate Social Responsibility Committee, besides, she has been serving as Alternate Member of the Credit Committee since 30 May 2011. She was elected as member of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund on 27 July 2011.

10- Hüseyin Yalçın Member of the Board

Born in Kızılca in 1947, Mr. Hüseyin Yalçın graduated from the Economics Department of the Faculty of Administrative Sciences of Middle East Technical University. He began his professional life as an elementary school teacher in 1966. He served as an Officer at Dışbank and Turkish Emlak Kredi Bank. Between 1977 and 1990 he served as an Inspector, Assistant Manager, Branch Manager and Manager of İzmir Region Foreign Operations at Ziraat Bank. Between 1990 and 2000, Mr. Yalçın also served as Deputy Chief Executive and General Manager Consultant at Development Bank of Turkey. Between 2000-2002, after the transfer of banks to SDIF (Savings Deposit Insurance Fund), he served as Senior Deputy Chief Executive at Yurtbank, as Deputy Chief Executive at Sümerbank, as Deputy Chief Executive at Kent Portföy and as General Manager Consultant at Toprakbank.

Mr. Yalçın was elected as Member of the Board on 31 March 2011 and as Independent Member of İşbank on 27 February 2013. His duty as Independent Member of the Board was approved at the Annual General Meeting on 29 March 2013.

11- Murat Vulkan Member of the Board

Born in Ankara in 1957, Mr. Murat Vulkan is a graduate of the English Language and Literature Department of the Faculty of Social and Administrative Sciences of Hacettepe University. He started his career as an Officer at Kızılay/Ankara Branch in 1982.

He became an Assistant Section Head in 1987, a Sub-Manager in 1993 and an Assistant Manager in 1995 at Ankara Branch. He was appointed as the Manager of Ereğli/ Karadeniz Branch in 1999. Between 2001 and 2011, he has served as the Manager of Kayseri Branch, the Regional Manager of the SME Loans Underwriting Division of İstanbul Maltepe Region, the Manager of Yenışehir/Ankara Branch and the Manager of Başkent Corporate Branch.

Mr. Vulkan was elected to İşbank's Board on 30 May 2011. His duty as Member of the Board was approved at the Annual General Meeting on 30 March 2012.

Executive Committee



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1- Adnan Bali

Member of the Board and Chief Executive Officer

Born in İslahiye in 1962, Mr. Adnan Bali graduated from the Department of Economics of the Faculty of Economics and Administrative Sciences, Middle East Technical University. He joined İşbank as an Assistant Inspector on the Board of Inspectors in 1986. He became an Assistant Manager in 1994 and a Unit Manager in 1997 at the Treasury Department and was appointed the Head of Treasury Department in 1998. Mr. Adnan Bali was appointed the Manager of Şişli Branch in 2002, the Manager of Galata Branch in 2004 and Deputy Chief Executive on 30 May 2006.

Mr. Adnan Bali was appointed the 16th Chief Executive Officer of İşbank on 1 April 2011. He has been serving as the Chairman of the Credit Committee and member of the Risk Committee. He is The Chairman of the Board of Directors of Industrial Development Bank of Turkey (TSKB), İşbank Germany and İşbank Russia. Besides, he has memberships at the Board of Directors in İşbank Batumi/ Georgia Branch, Vehbi Koç Foundation, the Institute of International Finance, Darüşşafaka Association and the Board of Trustees of the Association, Turkish Industry and Business Association (TÜSİAD), Istanbul Foundation for Culture and Arts (İKSİV), Turkish Finance Managers Association (Finans Kulüp) and the Board of Trustees of TEMA Foundation.

2- Mahmut Magemizoğlu

Deputy Chief Executive

Born in Antakya in 1959, Mr. Mahmut Magemizoğlu graduated from the Business Administration Department of the Faculty of Administrative Sciences at the Middle East Technical University. He holds a master's degree in investment analysis from the University of Stirling (UK). He began his career at İşbank in 1982 as an Assistant Inspector on the Board of Inspectors and served in various units of İşbank. He was appointed Deputy Chief Executive on 18 May 2005.

3- Suat İnce

Deputy Chief Executive

Born in Ankara in 1964, Mr. Suat İnce graduated from the Department of Economics of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He began his career at İşbank as an Assistant Inspector on the Board of Inspectors in 1987 and served in various units and branches of the Bank. He was appointed Deputy Chief Executive on 2 April 2008.

4- Hakan Aran

Deputy Chief Executive

Born in Antakya in 1968, Mr. Hakan Aran graduated from the Computer Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the Başkent University, Institute of Social Sciences. He began his career at İşbank as a Software Specialist in the IT Department in 1990 and served in different positions in IT & Software Development Department. He was appointed Deputy Chief Executive on 17 July 2008.

5- Aydın Süha Önder

Deputy Chief Executive

Born in İskilip in 1962, Mr. Aydın Süha Önder graduated from the Political Sciences and Public Administration Department of the Middle East Technical University. He joined İşbank in 1986 as a Candidate Officer in Economic Research Department. Mr. Önder served in a number of units and branches of the Bank as well as the Board of Inspectors throughout his career. He was appointed Deputy Chief Executive on 13 April 2011. Mr. Önder resigned from his position at İşbank on 6 January 2014 due to his assignment at Şişecam Group.

6- Levent Korba

Deputy Chief Executive

Born in Muğla in 1960, Mr. Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University. He joined İşbank in 1986 as a Candidate Officer in İzmir Branch and served in various units and branches of İşbank. He was appointed Deputy Chief Executive on 13 April 2011.



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7- Ertuğrul Bozgedik
Deputy Chief Executive

Born in Kayseri in 1964, Mr. Ertuğrul Bozgedik graduated from the Economics Department of the Faculty of Political Sciences at Ankara University. He joined İşbank in 1986 as an Assistant Inspector on the Board of Inspectors and served in various units. He was appointed Deputy Chief Executive on 13 April 2011.

8- Yalçın Sezen
Deputy Chief Executive

Born in İzmir in 1965, Mr. Yalçın Sezen graduated from the Political Sciences and Public Administration Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. He joined İşbank in 1987 as an Assistant Inspector on the Board of Inspectors. After serving in various units of İşbank, he was appointed Deputy Chief Executive on 13 April 2011.

9- Rıza İhsan Kutlusoy
Deputy Chief Executive

Born in İzmir in 1965, Mr. Rıza İhsan Kutlusoy graduated from the Business Administration Department of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He joined İşbank in 1988 as an Assistant Inspector on the Board of Inspectors and served in various units and branches of İşbank. He was appointed Deputy Chief Executive on 13 April 2011.

10- Senar Akkuş
Deputy Chief Executive

Born in Diyarbakır in 1969, Ms. Senar Akkuş graduated from the Economics Department of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. She joined İşbank as an Assistant Specialist at the Treasury Department in 1991. After serving in various units of İşbank, she was appointed Deputy Chief Executive on 13 April 2011.

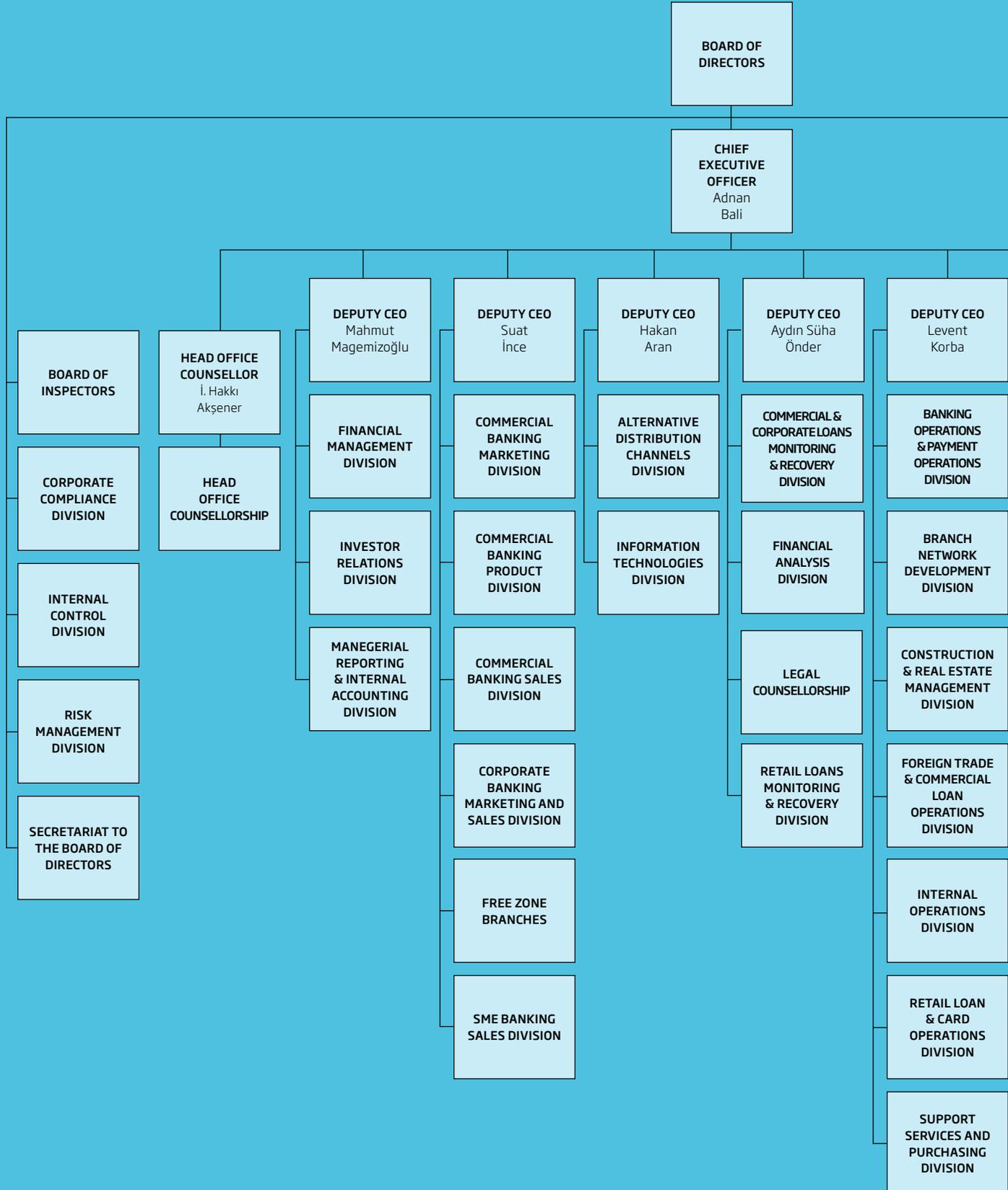
11- Yılmaz Ertürk
Deputy Chief Executive

Born in İstanbul in 1964, Mr. Ertürk graduated from the Economics Department of the Faculty of Economics at İstanbul University and received his master's degree from the same university, Branch of Economics, Institute of Social Sciences. In 1987, he joined İşbank as an Assistant Specialist in Economic Research Division. Mr. Ertürk served in various units of İşbank and Kozyatağı Corporate Branch and he was appointed Deputy Chief Executive on 30 January 2013.

12- İlhami Koç
Deputy Chief Executive

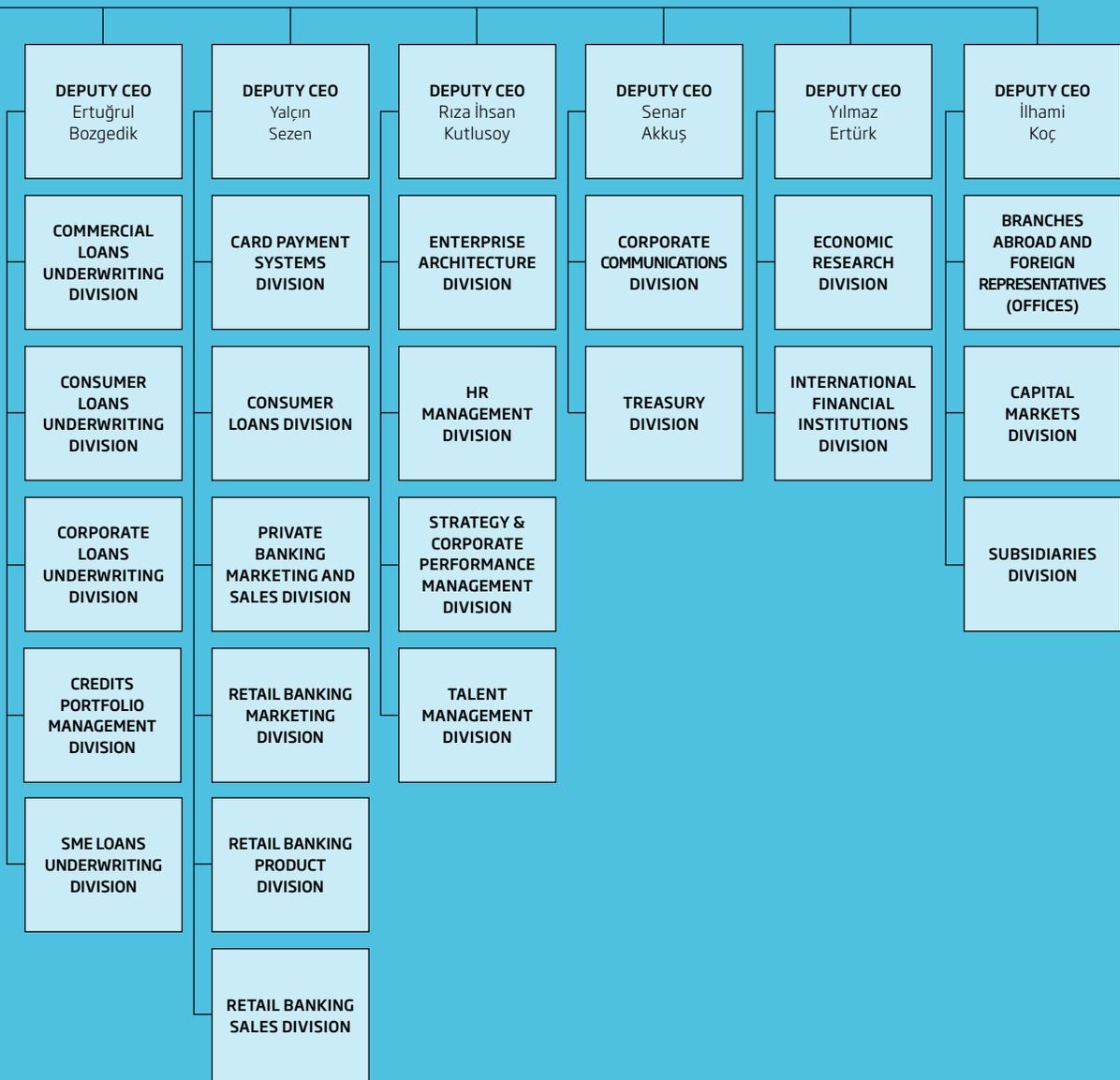
Born in Hekimhan in 1963, He graduated from the Faculty of Political Science at Ankara University. Mr. Koç began his career at İşbank in 1986 as an Assistant Inspector on the Board of Inspectors and served at the Capital Markets Division of İşbank, furthermore, he served as Chief Executive Officer at İş Yatırım Menkul Değerler A.Ş. and İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Mr. Koç was appointed Deputy Chief Executive at İşbank on 30 January 2013.

Organization Chart(*)



(*) As of 31.12.2013

AUDIT COMMITTEE
Füsun Tümsavaş
Prof. Dr. Savaş
Taşkent



Changes in the Organizational Structure

Within the year 2013, "SME Banking Sales Division" has been established and begun its operations.

Managers of Internal Systems

Names and surnames, terms of office, areas of responsibility, academic backgrounds and professional experiences of managers of Internal Systems, which consists of Board of Inspectors, Risk Management Division, Corporate Compliance Division and Internal Control Division, are presented below.

Chairman of the Board of Inspectors: M. Turgay Atalay

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
2 year 9 months	33 years	Board of Inspectors, London Branch, Galata Branch, Bayrampaşa Branch, Lefkoşa Branch, Beyoğlu Branch, Marketing and Deposits Division (Retail Banking), Retail Loans Division, Foreign Affairs Division, Board of Change Management	B.A. Degree from a Domestic University

Head of Risk Management: Gamze Yalçın

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
2 year 9 months	20 years	Organization Division, Accounting Division, Risk Management Division	B.A. Degree from a Domestic University M.S. Degree from a Foreign University

Head of Corporate Compliance Division (Compliance Officer): Mehmet Ali Madendere

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
5 year 3 months	27 years	Board of Inspectors, İstanbul III. Regional Division, Loans Division, Internal Control Division	B.A. Degree from a Domestic University

Head of Internal Control: Aydın Erendil

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
5 year 3 months	25 years	Board of Inspectors, Electronic Data Processing Division	B.A. Degree from a Domestic University

Information about the Meetings of the Board of Directors

In our bank, the Board meetings are generally held at least once a month, yet interim meetings might be held in case of need. Meeting agendas are prepared in accordance with the proposals of Head Office departments. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting agenda and related documents are distributed to the Board members in a particular time before the meetings.

14 Board meetings were held in 2013 and 13 meetings were held by full participation. As of 2013 year-end a total of 535 files were reviewed, which split as 445 files for loan underwriting and 90 files on other issues regarding loans; based on the work carried out by convening meetings or by individual review and signing of the file by each Board Member, which resulted in 284 loan decisions. A total of 368 files were reviewed on non-credit matters and 368 resolutions were taken. Consequently, 819 Board resolutions were made in 2013, including those that were passed during the meetings.

Assessments on İşbank Committees

İşbank committees presented their decisions and reports to Board of Directors, and the necessary decisions have been taken as a result of the assessment of Board of Directors.

The Audit Committee

The Audit Committee has two members and is chaired by Mrs. Füsün Tümsavaş, Vice Chairman of the Board of Directors, by the resolution of the Board of Directors dated 30.05.2011 and nr 37575. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Audit Committee is responsible for holding meetings at least twice a year provided that a six month period is not exceeded and is obliged to inform the Board of Directors about the results of its activities and the measures to be taken, practices that are required and its opinions on other matters that are deemed to be significant for the Bank to conduct its business safely.

The Audit Committee is in charge of:

- Ensuring that the internal systems of the Bank function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations and the Bank's policies and that the information produced has integrity,
- Carrying out the preliminary assessment of independent audit firms and rating, valuation and support services companies to be selected and monitoring the firms that are appointed by the Board, on a regular basis,
- Ensuring that the internal audit functions of subsidiaries that are subject to consolidation are coordinated in line with the related regulations,
- Reporting, presenting opinions and making recommendations to the Board on the functions, operations and related policies and regulations of the internal systems and the divisions that are part of the internal systems,
- Evaluating the information and reports received from the independent audit firms and the divisions that are part of the internal systems, about their operations,
- Ensuring that the Bank's financial reports are prepared in line with the related legislation, regulations and standards,
- If required, gathering information, documents or reports from all Bank units, support service contractors and independent auditors and being subject to Board approval, receiving consultancy from those who are specialists in their respective fields,
- Fulfilling other responsibilities determined by the related legislations and the duties given by the Board within this framework,
- Reporting to and informing the Board about the results of its own operations, the measures needed to be taken in order for the Bank's operations to be within the framework of the related legislation and Bank policies in a continuous and secure way and its evaluation, opinion and recommendation on any other issues that are deemed to be important.

In 2013, Audit Committee held 28 meetings with full participation and adopted 38 resolutions.

Turkish Republic of Northern Cyprus (T.R.N.C.) Internal Systems Committee

As per the resolution of the Board of Directors, dated 15.06.2009, Nr. 35546, T.R.N.C. Internal Systems Committee is established within the framework of T.R.N.C. Banking Law and related regulations. The Committee has two members and as per the resolution of the Board of Directors, dated 30.05.2011, Nr. 37576 the Committee is chaired by Mrs. Füsün Tümsavaş, who is the Vice Chairman of the Board of Directors. The other member of the committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Committee holds meetings at least twice a year provided that a six month period is not exceeded and informs the Board of Directors on the results of its own activities, its opinion on the measures needed to be taken and the necessary practices to be implemented by the branches, that operate under T.R.N.C. office, and other important issues in order for these branches to operate in a secure way.

T.R.N.C. Internal Systems Committee is responsible for ensuring the efficiency and sufficiency of the internal systems provided by the Bank in relation to the operation of the branches, that operate under T.R.N.C. office; ensuring the operation of the internal systems, accounting and reporting systems in line with the law and related regulations and ensuring the integrity of the produced information; carrying out the preliminary assessment of independent audit firms and other companies providing services directly related to other banking operations to be selected by the Board; and monitoring regularly and coordinating these companies that are selected and contracted by the Board.

In 2013, the T.R.N.C. Internal Systems Committee held 8 meetings with full participation and adopted 10 resolutions.

İşbank Committees

Credit Committee

İşbank's Credit Committee makes resolutions on credit allocation within its authorization limit, makes decisions on demands to change the credit allocation conditions within its authorization limit and carries out other assignments regarding credits given by the Board.

Credit Committee consists of three members; one of them is the Chief Executive Officer or Deputy Chief Executive, who is also the chairman of the Committee and two members from the Board of Directors. Two alternate Committee Members are also designated who will stand if need arises.

As the loan proposal files are presented, the Committee makes decision on the credit allocation with consensus, after each Committee Member examines and signs the files. Resolutions of the Credit Committee which have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors.

By the end of December 2013, by the evaluation of 100 files under the authority of the Credit Committee, 83 resolutions were adopted.

As per the resolution of the Board of Directors, dated 29.03.2013, Nr. 39017, Chief Executive Officer, Mr. Adnan Bali is the Chairman of the Committee and regular member, the Vice Chairman of the Board of Directors Mrs. Füsün Tümsavaş and the member of the Board Mr. Hasan Koçhan are the Credit Committee members. Board members M. Mete Başol and Aysel Tacer are alternate members of the Credit Committee.

Committee Members	Duty	Primary Duty
Adnan Bali	Chairman of the Committee	Member of the Board and Chief Executive Officer
Füsün Tümsavaş	Member	Vice Chairman of the Board
Hasan Koçhan	Member	Board Member

Alternate Members: M. Mete Başol - Aysel Tacer

Credit Revision Committee

Being one of the committees of the Board of Directors, the Credit Revision Committee is constituted every year as per the article of Revision of Limits within the context of Credit Risk Policy put in effect as per the resolution of Board of Directors, dated 31.07.2012, Nr. 38485. The Committee holds meetings at least once a year within the framework of the principle of reviewing the loan portfolio, evaluating the relations with credit customers at the end of the year and revising, when necessary, the credit limits allocated to the said persons and corporations for the following year.

Within this framework, as per the resolution of the Board dated 06.12.2012, Nr. 38729, the Credit Revision Committee; consisting of Vice Chairman of the Board, Mrs. Füsün Tümsavaş and Board Members Mr. Hasan Koçhan, Mrs. Aysel Tacer and Mr. Murat Vulkan; individually reviewed correspondent banks/bank groups whose general limits/risk ceilings are above USD 200 million, firms and organizations within the authorization of Board of Directors and the Credit Committee. The Credit Revision Committee completed its evaluations as of 22.03.2013.

As per the resolution of the Board of Directors dated 19.12.2013, Nr. 39566, the current Credit Revision Committee, consisting of Vice Chairman of the Board, Mrs. Füsün Tümsavaş and Board members Mr. Hasan Koçhan, Ms. Aysel Tacer and Mr. Murat Vulkan, continues its examinations in 2014.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was established as per the Regulation on Social Responsibility Practice, which was adopted with the resolution of the Board and its members are Board Members Ms. Aynur Dülger Ataklı and Ms. Aysel Tacer, Vice Chief Executives Mr. Yalçın Sezen, Ms. Senar Akkuş and Head of the Corporate Communications Division Mr. Suat E. Sözen.

The Committee operates in accordance with the Regulation principles, by considering the basic fields of contribution, which are determined as education, culture and art, health, protection of the environment and other activities.

In 2013, Corporate Social Responsibility Committee held 7 meetings with full participation and adopted 34 resolutions.

Corporate Governance Committee

As per the resolution of the Board of Directors dated 27.02.2013, Nr. 38923, the Corporate Governance Committee was established in order to

- monitor the Bank's compliance with the corporate governance principles,
- perform studies for improvement in corporate governance practices and make suggestions to the Board and
- fulfill the projected tasks of Corporate Governance Committee and Nomination Committee to be in accordance with the related legislation.

The Committee is chaired by Ms. Füsün Tümsavaş who is also the Vice Chairman of the Board. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

In 2013, Corporate Governance Committee held 5 meetings with full participation and adopted 1 resolution.

Risk Committee

Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval, and monitoring compliance with them. Committee is the common communication platform with Bank's executive divisions in terms of assessing the risk the Bank is exposed, making suggestions about the precautions to be taken and methods to be followed. The Committee's principal duties are the following:

- Prepare the risk strategies and policies, and present to the Board for approval,
- Adjudicate by negotiating the issues addressed by Risk Management Division,
- Recommend to the Board the level of risk limits for exposures, monitor the breach of limits and recommend to the Board regarding elimination of those breaches,
- Recommend to the Board changes in risk policies if diverse circumstances require,
- Monitor risk identification, definition, measurement, assessment, and management processes carried out by Risk Management Division,
- Monitor accuracy and reliability concerning the risk measurement methodologies and their results.

Committee Members:

- Füsün Tümsavaş; Vice Chairman of Board of Directors and Head of Risk Committee
- Adnan Bali; CEO, Head of Credit Committee
- Ertuğrul Bozgedik; Deputy Chief Executive
- Senar Akkuş; Deputy Chief Executive, Head of Asset & Liability Management Committee
- Gamze Yalçın; Head of Risk Management Division

Risk Committee contributes to the configuration of Group risk policies also through consolidated group meetings. In the activities that the Risk Committee carries out on a consolidated basis,

- İlhami Koç; Deputy Chief Executive
- Burhanettin Kantar; Head of Equity Participations Division

also attend the meetings.

In 2013, the Risk Committee met a total of 13 times 4 of which were on a consolidated basis. In addition to the risk management evaluations of İşbank and its participations under consolidation, 12 risk management reports were submitted to the Committee and resolutions were adopted.

Remuneration Committee

As per the resolution of the Board of Directors, dated 29.12.2011, Nr. 38038, Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration policies of the Bank on behalf of Board of Directors. The Committee has two members; Mr. H. Ersin Özince, the Chairman of the Board, was elected as the Chairman of the Committee and Prof. Dr. Savaş Taşkent was elected as the member of the Committee.

Within the framework of compliance to Corporate Governance Principles, Remuneration Committee is responsible for monitoring and controlling policies related to remuneration management on behalf of Board of Directors within the context of compliance to Corporate Governance Principles; providing that remuneration policies are in compliance with the Bank's ethical values, internal balances and strategic goals. The Committee is also responsible for evaluating remuneration policy and practices within the framework of risk management; submitting the proposals regarding the necessities determined after the evaluations to Board of Directors, as well as fulfilling other responsibilities in accordance with relevant legislations and tasks assigned by the Board of Directors within this framework.

In 2013, Remuneration Committee held 1 meeting with full participation and adopted 1 resolution.

Human Resources Functions at İşbank

Through the human resources functions launched in 2013, İşbank aimed to develop HR solutions that are in line with the Bank's corporate strategic priorities.

In 2013, İşbank hired 956 new employees to fill different positions in order to rapidly meet the increased need for staff arising from both the growth in the Bank's business and the opening of new branches. The Bank had a total of 24,129 employees on its payroll as of December 31st, 2013.

Regarded as "Turkey's School of Banking", İşbank raises the most qualified human resources in the sector, while placing special importance on supporting the professional development and corporate loyalty of its employees. In the recruitment processes carried out during 2013, the same sensitivity was demonstrated and regional/local hiring was also realized, placing priority on the effective management of processes. With the aim to ensure candidate satisfaction, offering positions in locations that best fit the candidates' locations of residence strengthened İşbank's position as the "Preferred Employer".

In 2013, İşbank pressed ahead with its efforts to develop functions that would reduce operating costs and risks in the HR processes, ensure employees effectively participate in HR processes, and which would support efficient use of the workforce and the proper and safe storage of HR data. In HR processes, channels were developed where employees may directly submit their views concerning the Bank and its business processes to the senior management; the Bank generally received positive feedback from its employees in terms of employee satisfaction.

Training activities at İşbank are designed and implemented so as to be both compatible with the Bank's corporate objectives and complementary to its other Human Resources practices. Employees of the Bank are supported in every stage of their careers with mixed training programs that are designed based on their learning preferences. İşbank added the social learning tools, İşpedia and İştube, to its portfolio of training applications in 2013. İşbank's training team was deemed worthy of the "Excellence in Practice" award by the American Society for Training and Development in 2012 and the "Best Training Team" award by Brandon Hall in 2013.

İşbank does not transfer intermediate level managers and all managers are trained and promoted from within the Bank's own personnel. Therefore, the Bank places special emphasis on equipping the managers and manager candidates with the knowledge and skills they will need in their prospective positions and titles. Technical and personal development programs are organized for this purpose.

İşbank's Employee Performance Management practices are conducted with an innovative approach that will support the development of all Bank employees in Turkey and in other countries, which are compatible with our corporate culture and values; and that will strengthen collective capital concept and culture of communication.

The fringe benefits provided to the employees at İşbank are determined on the basis of a Collective Bargaining Agreement under the provisions of applicable legislation. Managers and candidate managers working at İşbank branches and the Head Office Divisions are paid an "executive bonus" once a year.

While executive bonuses are paid on the basis of individual performance, care is also taken to ensure that bonuses are aligned with the Bank's long-term strategy and risk exposure.

Responsibilities arising in connection with Law no. 6331 on Occupational Health and Safety are fulfilled under the Human Resources function. By carrying out the necessary work, İşbank aims to ensure legal compliance and set up an occupational health and safety culture within the Bank.

Objectives for 2014

In 2014, the Bank aims to develop HR solutions that are necessary to ensure harmony between İşbank's corporate strategic priorities and the priorities of its Human Resources Functions. To this end, the Bank will continue its usual human resources practices. In addition, the Bank plans to conduct activities aimed at reinforcing the high performance culture and improving employees' loyalty and motivation.

In 2014, İşbank aims to carry out efforts, which would increase candidate satisfaction in hiring processes and facilitate the improvement of the efficiency of recruited candidates. İşbank will also perform various works to employ people with high performance and potential, to support the feedback mechanism and culture of communication between the Bank and its employees, and to improve employees' corporate loyalty.

The Bank will concentrate on mixed training activities and continue to broaden the use of social learning tools in 2014. The Bank will also enter collaboration with reputable business schools in Turkey and abroad within the scope of Management Trainee Programs for the personal and professional development of managers.

Information on the Transactions Carried out with İşbank's Risk Group

All İşbank Risk Group companies are provided with the same kind of financial assistance, by the same procedures and policies, as those provided for third parties. The Credit Portfolio Management Division analyses the approved credit lines and other lending procedures in favor of İşbank Group companies, and monitors to ensure compliance with legal requirements. In 2013, the loans extended to the group companies had all been within the regulatory risk limits. Group companies had mainly been involved in credit products and deposits.

Activities for which Support Services are Received in Accordance with the Regulation on Procurement of Support Services for Banks

- Support services received from Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. for delivery of credit card products to customer addresses,
- Support services received from Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. for delivery of KKGS card products to customer addresses,
- Support services received from Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. for delivery of OGS devices to customer addresses,
- Support services received from Aktif İleti ve Kurye Hizmetleri A.Ş. for delivery of credit card products to customer addresses,
- Support services received from Aktif İleti ve Kurye Hizmetleri A.Ş. for sending Banking Services Agreement to people's addresses who have applied for Anında Müşteri, sending the contract to the Bank's system electronically which is signed with the device called Akıllı Kalem and the transmission of physical contract to the branches,
- Support service received from Provus Bilişim Hizmetleri A.Ş. for printing, enveloping and delivery of credit card abstracts to the General Directorate of Post and Telegraph Organization,
- Support service received from Hobim Bilgi İşlem Hizmetleri A.Ş. for printing, enveloping and delivery of credit card and merchant abstracts and other document like notice to customer addresses,
- Support services received from Atos Bilişim Danışmanlık ve Müşteri Hizmetleri Sanayi ve Ticaret A.Ş. for sales-oriented external calls,
- Support services received from Atos Bilişim Danışmanlık ve Müşteri Hizmetleri Sanayi ve Ticaret A.Ş. for calling the customers with past-due payments and reminding them their debts,
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of cheques, promissory notes, other commercial papers and documents between Group Centers and Banking Operations and Payment Operations Division,
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of foreign currency cash between Group Centers and Istanbul Cash Management Center,
- Support services received from Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic. A.Ş. for information systems management, information systems infrastructure support, software development, project development, business analysis, systems analysis, project and product consulting, technical support issues,
- Secure e-payment infrastructure service received from Asseco See Teknoloji A.Ş. for electronic commerce,
- Support services received from Accenture Danışmanlık Ltd. Şti. for credit management application,
- Support service received from IBM Global Services İş ve Teknoloji Hizmetleri ve Ticaret Ltd. Şti. for Emergency Center located in Izmir for back up of the system,
- Support service received from E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş. for customization of İşbank's credit cards equipped by chip technology,
- Support service received from İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. for operation, management and maintenance of communication networks and for providing sources relating to operation and management of data processing application servers and server operating systems,
- Support service received from Erişim Müşteri Hizmetleri A.Ş. for meeting the demands of the customers using Telephone Branch,
- Support services received from Logista Kurye ve Lojistik Hizmetleri Ltd.Şti. for delivery of card products to our customers addresses,
- Support services received from Aras Kurye Servisi A.Ş. for delivery of card products to our customers addresses,
- Support services received from Canon Eurasia Görüntüleme ve Ofis Sistemleri A.Ş. for entering the data found on the "Customer Information Forms" and "Credit Card Application Forms" which are transferred electronically to the company and transferring the data electronically to our Bank's system,
- Support services received from 90 auto dealer for marketing of consumer loans.

İşbank's Dividend Distribution Policy

İşbank's principles of dividend distribution are set by article 58 of the Articles of Incorporation. According to this article,

After deducting all general expenses from the income arising from the operations of the Bank within a year, including premiums and bonuses and similar payments to the personnel of the Bank, and funds for all kinds of depreciations, as well as necessary provisions, the net profit obtained shall partly be set aside as contingency reserves and partly distributed in the order, manner and at the rates indicated below:

- a) 1- 5% to statutory reserve fund,
- 2- 5% as provision for probable future losses,
- 3- 10% as first contingency reserve

If the cause for setting aside of a provision and fund for a probable future loss and/or risk doesn't exist anymore, the remaining fund will be added to first contingency reserve (a/3) after distribution of net profit referred to in paragraph (a).

b) From the balance of the net profit after the reserve fund referred to in paragraph (a) above have been set aside, an amount equal to 6% of the paid up capital represented by Group A, B and C share certificates, shall be distributed to shareholders as the "first dividend".

Should the profit realized in any year be insufficient to provide for the first dividend of 6% referred to above, the balance shall be made up and distributed out of the contingency reserve fund. Provided, however, that any amount thus taken out of the reserve fund shall constitute a charge to be made up out of the profits to be realized in the subsequent years.

c) After the reserved fund and the first dividend referred to in paragraphs (a) and (b) above have been provided for, the balance of the net profit shall be set aside and distributed as follows:

- 10% for founder shares (limited to the portion of TL 250 thousand - two hundred and fifty thousand - of paid capital)
- 2.5% among the members of the Board of Directors and the General Manager equally,
- 20% to the employees of the Bank and
- 10% as second contingency reserve.

d) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, the balance shall be distributed to the shareholders as "second dividend" in the manner stated below and taking into consideration paragraph (e).

1- The net total of the dividends to be distributed to the holders of Group (A) shares as first and second dividends under paragraphs (b) and (d) may not exceed 60% of the capital paid up by them, the net total of the dividends to be distributed to holders of Group (B) shares may not exceed 30 % of the capital paid up by them, and the net total of the dividends to be distributed to holders of Group (C) shares may not exceed 25% of the capital paid up by them.

2- After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, should the balance be insufficient to distribute the second dividend in the manner specified by the paragraph (1) above, twice the amount of the paid up capital represented by Group (A) shares the actual amount of the capital represented by Group (B) shares, and the 5/6 (five sixth) amount of the capital represented by Group (C) shares shall be taken as the basis, and, total dividends to be paid to the three Groups of shares shall be calculated separately in the distribution of the second dividend.

e) The amount that needs to be added to the statutory reserve under paragraph 3 of Article 466 of the Turkish Commercial Code, shall be set aside.

f) The General Assembly shall, upon proposal of the Board of Directors, decide whether the balance remaining after the distribution and allocation of the net profit as specified above shall be transferred to the extraordinary reserve funds, or carried over to the following year, or up to 80% of such amount be distributed to the shareholders by dividing of the same by the number of shares and the remaining balance be transferred to the extraordinary reserve funds or carried over to the following year.

In the calculation of the dividends to be paid to all three Groups of shares; Group (A) shares will be considered as 40 times the share quantity, due to the reason that 20 Group (A) shares each with a nominal value of TL 500 (this amount is related to the period prior to the Law regarding the Monetary Unit of the Turkish Republic (No:5083) on which the rate of change has not been applied) have been changed with 1 Group (A) share with a nominal value of 1 Kuruş, Group (B) shares will be considered as 1.5 times of the share quantity, and Group (C) shares will be considered as the same quantity.

The dividends are distributed within the scope of the related legislation in a manner and at a time determined by General Assembly.

Summary Report of the Board of Directors

Esteemed shareholders,

Welcome to the 90th Ordinary General Meeting of İşbank.

As we present the Board of Directors' Report and the Income Statement showing our 2013-year results for your review and approval, we respectfully greet all of you here today.

As a result of the extraordinarily loose monetary policies applied, economic activity began to demonstrate a trend of recovery in developed countries, especially the U.S. in 2013. The expectation that the US Federal Reserve may reduce the support which it has been providing to the economy through asset purchases precipitated capital outflows from emerging markets in 2013, while the increase in perceptions of global risk and the volatility in the market put pressure on emerging markets.

In 2013, which marked a certain shift in the structure of the growth in the Turkish economy when compared to 2012, private sector consumption expenditures and public sector investment expenditures were the driving forces of the Turkish economy in parallel with the recovery in domestic demand conditions. As a result, Turkey demonstrated a 4% growth rate in the first three quarters of 2013.

The foreign trade deficit increased by 18.7% YoY to US\$ 99.8 billion in 2013. Increasing gold imports played a key role in the expansion of the foreign trade deficit. Because of the gradual recovery observed in EU countries, the region's share in Turkey's exports began to rise again in 2013. Although the current account deficit leveled out in the last two months of the year due to the tightening in the monetary policy and other measures taken by the CBRT, the current account deficit increased to US\$ 65 billion in 2013 due to domestic demand conditions and developments in foreign trade.

The positive performance demonstrated by the central administration budget continued in 2013, and the budget deficit fell to TL 18.4 billion. The annual rate of inflation remained high throughout the year due to the increase in unprocessed food prices and the fall in value of the TL. The consumer price index (CPI) increased by 7.4% and the producer price index (PPI) by 7.0% in 2013. In 2013, the international credit rating agency, Moody's, raised Turkey's credit rating by one notch from "Ba1" to "Baa3". With this step, Moody's was the second agency after Fitch to raise Turkey's credit rating to investment grade.

The Turkish banking industry continued to grow in 2013 in terms of total assets, the number of branches opened and number of employees. The total assets in the sector increased by 26.4% YoY to reach TL 1.732 trillion by the end of 2013.

Supported by the recovery in domestic demand conditions in 2013, the growth in loan volume gained momentum, while developments in international markets and changes in the CBRT's monetary policy had an impact on credit pricing throughout the year. Deposits, which represent the main source of funding in the sector, continued to grow in size, while securities issues continued to support the sector's balance sheet.

As far as İşbank is concerned, 2013 was a year in which we demonstrated a strong performance on the basis of profitability and business volumes.

As of 31.12.2013:

- Our loans increased by 26.4% YoY to TL 134,843 million;
- Our deposits increased by 14.8% YoY to TL 120,975 million;
- Our total assets increased by 20.0% YoY to TL 210,500 million;
- Our shareholders' equity increased by 3.8% YoY to TL 23,579 million; and our net profit stood at TL 3,163 million.

In 2013, we placed emphasis on effective cost management on the funding side, while we sought to extend the average maturity through alternative instruments and to enable resource diversity. Regarding placements, the tendency of the share of the securities portfolio to fall in total assets continued, while the share of loans increased by nearly 3 percentage points to 64.1% during the same period. The NPL ratio fell from 1.9% in 2012 to 1.6% by the end of 2013, a result of the healthy loan growth, solid collection performance and sales from the NPL portfolio. During this period, the capital adequacy ratio stood at 14.4% - well above of the legal limit. As a result of these developments, the Bank realized an average return on equity of 13.7% and an average return on assets of 1.6% in 2013.

Because of the current weakness of the Turkish Lira with respect to foreign currencies, the Turkish economy is expected to grow based on net exports in 2014, while the direction of international capital flows and political conjuncture in Turkey are thought to be the factors that may affect the growth rate. Developments in Turkey's main export markets, particularly the EU, will continue to affect economic activity in the coming periods as well. The banking industry is expected to develop in parallel with Turkey's economic growth in 2014, as in previous years.

Esteemed shareholders,

We hereby submit our Annual Report, Balance Sheet and Income Statement pertaining to our 2013 activities for your review and approval. We would like to take this opportunity to express our gratitude to the Turkish public for their steadfast trust in our Bank, to the institutions of the Turkish State for their continuous support, to our employees for their dedicated efforts; and we extend our respects to you, our valued shareholders, for having honored this General Meeting with your presence.

TÜRKİYE İŞ BANKASI A.Ş. BOARD OF DIRECTORS

Agenda of the Annual General Meeting

1. Opening Ceremony and establishment of the Council of Chairmanship,
2. Presentation of and discussion on the Board of Directors' and Independent Auditors' Reports,
3. Examination and ratification of 2013 Balance Sheet and Income Statement,
4. Discharge of the Board of Directors from their responsibilities for the transactions and accounts of the year 2013,
5. Determination of the dividend distribution and the method and date of allotment of dividends,
6. Election of the Members of the Board of Directors,
7. Determination of the allowance for the members of the Board of Directors,
8. Selection of the Independent Audit Company,
9. Permitting the members of the Board of Directors as per articles 395 and 396 of the Turkish Commercial Code,
10. Presenting information to shareholders on the subjects held in Capital Markets Board (CMB) Corporate Governance principle no. 1.3.6.
11. Presenting information to shareholders about the donations made during the year 2013.

Dividend Distribution Proposal

As a result of activities in 2013, a net profit of TL 3,163,365,119.60 was made. TL 71,102,671.00 of the net profit figure is the income from sale of participations and real estates. As per the resolution of the Board of Directors, this amount is booked to a special account under liabilities and is to be used for capital increase when necessary, in order to benefit from the exemption clauses of the fifth article of Corporate Tax Law no. 5520. On the other hand, taking into consideration the fact that a part of net profit for the period shall be distributed to the employees of the Bank as per the article 58 of Articles of Incorporation; provision was set aside regarding the Bank's profit distribution policy, former practices and related regulations and within the framework of the related Turkish Accounting Standard. According to this,

- It is proposed that the amount of TL 71,102,671.00 from the sale of participations and real estates, which is not subject to dividend distribution, be transferred to related reserves, the amount of 95,000,000.00 which is set aside for the employee dividends be added to distributable balance,
- It is proposed that the distributable balance amount of TL 3,187,262,448.60 to be distributed in accordance with the relevant legislation and article 58 of the Articles of Incorporation of Türkiye İş Bankası A.Ş. as detailed below, including the allocation of TL 1,379,784,322.38 to type one extraordinary reserves as increased within the framework of the provisions of the Banking Law and the Turkish Commercial Code from the amount to be allocated to type one extraordinary reserves, which is 10% of the balance amount of TL 3,187,262,448.60.

TL		
NET PERIOD PROFIT		3,163,365,119.60
NON-DISTRIBUTABLE PROFIT		-71,102,671.00
ADDED TO DISTRIBUTION		95,000,000.00
DISTRIBUTABLE PROFIT		3,187,262,448.60
I. FIRST DIVIDEND (Articles of Incorporation Art. 58/a-b)		
- For Statutory Reserve Fund 5%	159,363,122.43	
- First Contingency Reserve	2,288,785,409.59	
- First Dividend		
To Group A Shares	60.00	
To Group B Shares	1,740.00	
To Group C Shares	269,998,200.00	2,718,148,532.02
		469,113,916.58
II. SECOND DIVIDEND (Articles of Incorporation Art.58/c-d-e)		
- To Founders' Shares	2,606.19	
- 2.5% to the Board Members and the CEO in Equal Amounts(*)	1,172,784.79	
- 20% to Bank Employees	93,822,783.32	
- 10% to Legal Reserves	42,472,956.81	
- 10% to Second Contingency Reserve	46,911,391.66	
- Second Dividend		
To Group A Shares	151.86	
To Group B Shares	2,201.92	
To Group C Shares	284,729,040.03	469,113,916.58

* In the principle numbered 4.6.3. of Corporate Governance Principles, which is appendix of the legislation of Capital Markets Board on Corporate Governance effective from 3 January 2014, it is stated that "payment plans based on company's performance can not be used in the remuneration of the independent board members and the wages of the independent members of the board must be at a level to maintain their independence." Due to the principle stated above, it is recommended to transfer 3/11 of the dividend calculated for board members as per the article 58 of Articles of Incorporation to the reserves.

In case the said proposal is approved by the Bank's General Assembly, dividend will be distributed to the Bank's shareholders starting from 01/04/2014 and gross dividend will be distributed as follows to each group of shares with a nominal value of TL 1.

Share Group	Gross (TL)
For each Group A share with a nominal value of TL 1	0.2118565
For each Group B share with a nominal value of TL 1	0.1359283
For each Group C share with a nominal value of TL 1	0.1232735
For each of the founders' shares 1	1.0602889

Corporate Governance Principles Compliance Report

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

İşbank is subject to Banking regulations and provisions of the Corporate Governance Principles which are applicable to the Banks according to the Capital Markets Legislation. The Bank's activities regarding the non-compulsory provisions are stated in the relevant sections below.

During the year, activities particularly with regard to developing Corporate Governance Principles structure, that the Bank is subject to, have been performed. In this context, the Corporate Governance Committee has been established in order to ensure compliance with the non-compulsory provisions, Independent Member of the Board was elected and other matters specified in the legislation have been fulfilled.

PART I - SHAREHOLDERS

2. Shareholders Relations Unit

Following list presents the names and contact details of authorized personnel working at the Investor Relations Division, which operates under Mr. Mahmut Magemizoğlu, the Deputy Chief Executive of İşbank.

Name, Surname	Title	Telephone Number	E-mail Address
Süleyman H. Özcan	Division Head	0212 - 316 16 00	Suleyman.Ozcan@isbank.com.tr
Alper Turgal	Unit Manager	0212 - 316 16 10	Alper.Turgal@isbank.com.tr
Can Akıncılar	Assistant Manager	0212 - 316 16 08	Can.Akincilar@isbank.com.tr

Following are the principal activities performed by the Investor Relations Division in 2013:

- Responding to both the existing and potential investors', rating agencies', international lenders' and other related institutions' information requests, which are not categorized as trade secrets or customer secrets, within the framework of related regulations,
- Participating in domestic and overseas investor meetings and conferences on behalf of İşbank and making presentations to the related parties, when necessary,
- Making public disclosures about the material events and other information subject of announcement through related media and institutions including Borsa İstanbul,
- Keeping the contents of the "Investor Relations" pages at İşbank's corporate website updated,
- Working on the improvement of the Bank's corporate governance practices,
- Coordination of preparations of General Meeting and Annual Report,
- Other activities related to Bank's shareholders.

In the year 2013, more than 500 inquiries were sent to the Investor Relations Division via telephone and e-mail and all inquiries have been replied. In the same year, Investor Relations Division participated in 15 foreign, 3 domestic investor conferences, besides, 1 investor visit has been made as a part of foreign borrowing processes; meeting with representatives of 223 investment institutions. Furthermore, the Investor Relations Division hosted 82 investor meetings, 36 analyst meetings and 97 conference calls in its head office.

3. Use of Shareholders' Right to Obtain Information

Information requests of shareholders regarding dividend distribution, capital increase, general meeting, annual report, Bank's financial statements and related issues, received by İşbank via mail, telephone, e-mail and other media are evaluated and replied in the most effective and fastest way by the Investor Relations Division.

The announcements for the shareholders within the scope of capital increase, dividend distribution, General Meeting and the public disclosure legislation are made on İşbank's Investor Relations website.

İşbank is audited regularly within the framework of primarily the Banking Law and the related regulations.

On the other hand, the Audit Committee, established as required by the article 24 of the Banking Law, consists of Mrs. Füsün Tümsavaş (Vice Chairman) and Prof. Dr. Savaş Taşkent (Member of the Board).

Within the framework of the related regulations, a special auditor may be elected by the General Assembly when necessary, for the investigation of the subjects envisaged in the related regulations. İşbank's Articles of Incorporation do not have a separate regulation for the appointment of a special auditor. There has been no request to assign a special auditor during the related period.

4. General Shareholders' Meetings

Regulations related to the General Shareholders' Meetings are stated in the Articles of Incorporation and Internal Directive on Working Principles and Procedures of General Assembly, which is publicly disclosed and also available on İşbank's website. As per the related regulations, the agenda of Shareholders' Meetings and other related issues are made publicly available by means of disclosure on material events and internet before the Shareholders' Meetings. In addition, İşbank's annual reports prepared for the Shareholders' Meeting are also presented to the shareholders for their information and examination before the General Shareholders' Meeting. Besides shareholders, the representatives of related legal institutions who are entitled to attend General Shareholders' Meetings as per related regulations, attend the General Meetings.

İşbank Ordinary General Shareholders' Meeting was held both physically and electronically on 29.03.2013. Announcements, including the agenda of the meeting and sample of proxy statement, were published on the Public Disclosure Platform, the Trade Registry Gazette, Electronic General Meeting System, media and website of İşbank within the legal periods. 85% of the shareholders were represented at the Ordinary General Shareholders' Meeting. Invitations to Shareholders' Meetings are made within the framework of Capital Market Law and the Turkish Commercial Code as well as the Articles of Incorporation of İşbank. Balance sheet, financial statement footnotes, independent auditors' report, dividend distribution proposal of the Board of Directors and similar detailed information in the annual reports are made available at branches of İşbank to the shareholders before the Shareholders' Meetings within the legal time period required by related regulations. Upon request, annual reports are provided to the shareholders before the General Shareholders' Meetings.

At İşbank's Shareholders' Meetings, all shareholders have the right to express their opinions and ask questions on the subjects of the agenda. Moreover, proposals regarding the agenda, which are put forward by shareholders, are concluded as per the legal procedures. Questions of shareholders were replied during the meeting in 2013. No proposal regarding the agenda has been put forward.

In İşbank, the donations were made within the framework of related legislation. The Bank presented information to shareholders regarding the donations made in the period within the framework of the agenda of the 2013 annual meeting.

Minutes of the Shareholders' Meetings are published on the Trade Registry Gazette. The aforementioned minutes can be obtained from the related unit of İşbank and they are available on the Bank's corporate website. The actions required with respect to the decisions made at Ordinary General Shareholders' Meeting in 2013 were performed.

Mr. Adnan Bali, Member of the Board of Directors and Chief Executive Officer of İşbank, has a duty as the Chairman of the Board of Türkiye Sınai ve Kalkınma Bankası A.Ş. (TSKB), one of the Bank's subsidiaries, within the framework of the consent of The General Assembly dated 29.03.2013 regarding the prohibition to trade with and compete against the company based on related regulations of Turkish Commercial Code.

Corporate Governance Principles Compliance Report

5. Voting and Minority Rights

There are explanations on the Bank's capital structure, qualifications of shares and the rights on shares both in the Articles of Incorporation and annual report and these explanations are submitted to the shareholders for their information.

Currently İşbank does not have any Board member elected by the minority shareholders. There is no prohibition for exercising voting rights of the minority shareholders in the election of Board Members.

İşbank Group companies do not hold any share in İşbank.

6. Dividend Rights

İşbank's dividend distribution principles are explained in detail in the Articles of Incorporation and as such the dividend distribution policy is shared with the shareholders. İşbank's dividend payment is made within the legal periods. The dividend distribution policy is available in annual report and İşbank's corporate website as well.

On the other hand, dividend distribution proposal of the Board of Directors is also published in the annual report, which is provided to the shareholders prior to the annual Ordinary General Shareholders' Meetings. Dividend distribution is a regular item on the agenda of the General Shareholders' Meeting and is presented for the approval of shareholders and implemented after the approval at General Shareholders' Meeting.

The distribution of 2012 operating profit was made in line with the decisions taken at Ordinary General Shareholders' Meeting held in 2013.

7. Transfer of Shares

Transfer of shares can be done in accordance with the related legislation and the Articles of Incorporation of İşbank.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Information Policy

İşbank has formed an Information Policy which aims to submit the required information and disclosures, except for trade secrets, to the shareholders, investors, employees, clients, creditors and other related parties within the framework of related regulations.

Information Policy, which has been formed by the Board of Directors, is available on İşbank's corporate website.

Public disclosures, along with monitoring and improvement of the Information Policy of İşbank are under the authority and responsibility of the Board of Directors. The Investor Relations Division has been assigned for the coordination of disclosure function. The authorized personnel of the aforementioned Division fulfill their responsibilities in coordination with the Audit Committee, Corporate Governance Committee and the Board of Directors.

9. Türkiye İş Bankası Corporate Website (www.isbank.com.tr)

İşbank's website is actively and intensely used for public disclosures and informing activities. The website includes the information and data required by the Corporate Governance Principles and regulatory authorities, both in Turkish and in English. Utmost care is given to keep the website updated.

10. Annual Report

İşbank Annual Report includes the necessary information and data required by the related regulations and is prepared both in Turkish and in English.

PART III - STAKEHOLDERS

11. Informing Stakeholders

İşbank's stakeholders are regularly informed about required subjects through press releases, press conferences, interviews, annual reports, news on the website, disclosures and various meetings. Within this context, the necessary corporate organisation has been made to fulfill the information demands of shareholders, employees and customers.

Functions related to informing the employees about the human resources practices and policies are conducted by Human Resources Management Division and, in this context, İşbank's Corporate Intranet Portal is used effectively.

The transactions which are subject to complaint can generally be delivered directly to those concerned, Head Office, The Board of Inspectors and The Board of Directors by the stakeholders.

12. Participation of Stakeholders in the Bank Management

İşbank employees and pensioners participate in the management of the Bank through İşbank Members' Supplementary Pension Fund, which is a shareholder of the Bank. Other shareholders participate in the decision making process relating to the management of İşbank by voting in the General Shareholders' Meeting in line with the regulations of the Articles of Incorporation.

Furthermore, there is a proposal mechanism by which employees may make suggestions regarding the activities of the Bank. İşbank has an online communication platform through which employees may submit their requests and complaints to the Senior Management directly.

13. Human Resources Policy

Human Resources Policies of İşbank are based on the principles of equal opportunity, fairness, transparency and performance. The related policies are implemented with the aim of increasing the means for employee progress adhering to basic rules of conduct and ethical values. Human resources needs are met in line with İşbank's vision and mission in respect of human resources, through recruiting people who have the required qualifications for the job using convenient evaluation methods and instruments. In this context, fundamental recruitment criteria are defined in written format and the hiring processes are carried out according to these criteria.

In principle, only employees from within the institution are employed in İşbank's managerial positions. When there is a need in areas that require special expertise, including professional consulting, external human resources also may be utilized.

Performances of the employees are evaluated within the framework of personnel evaluation criteria suitable to their positions periodically by face to face interviews with the employees; strengths and/or weaknesses of the employees are defined to increase their performances and also to prepare them for a higher position, related development and education schemes are formed; activities are designed for the purpose of realization of these plans and meeting the educational needs. In line with a career management philosophy based on constant development, by taking into account their skills, staff is employed according to their skills at positions that they fit best, in terms of satisfying the needs of the Bank and productivity.

İşbank employee candidates are informed about Human Resources practices and hirings through the Bank's Human Resources website (ik.isbank.com.tr).

An orientation program is applied for newly hired personnel for the purpose of accelerating adaptation period and increase efficiency.

Through İşbank's Corporate Intranet Portal, which was formed in order to enhance information sharing within the Corporation and to communicate with employees more effectively, all the employees are given the opportunity to have quick access to the Bank's regulations, activities of divisions, job descriptions and distributions, performance management practices, up-to-date announcements and supplementary sources.

In İşbank there are labor union representatives who are assigned by BASİSEN (Labor Union of Banks and Insurance Companies) under which İşbank employees are organized. Labor union representatives have a constructive and effective role in forming communication between the Bank and the employees.

Every two years a Collective Bargaining Agreement is signed by the Bank and BASİSEN. The last Collective Bargaining Agreement that covers the period between 01.04.2012 - 31.03.2014, was signed on 22.03.2013. Compensation principles for Bank employees is determined by the Collective Bargaining Agreement and the Agreement is shared with employees through İşbank's Corporate Intranet Portal.

It is essential for İşbank that human rights are respected and that there is not any discrimination based on race, language, religion and sex.

14. Ethical Principles and Social Responsibility

Together with its equity participations, İşbank is one of the biggest economic players in Turkey with its contribution to economy, public interest oriented vision, high level of employment creation and awareness of social responsibility which is among İşbank's management principles.

İşbank has adopted Code of Banking Ethics published by The Banks Association of Turkey. The code of ethics has been disclosed to the public through the Bank's corporate website.

Since its establishment, focusing seriously on the issues, which are the basic needs of the modern society and which are directly related to the country's future, İşbank supports, within the framework of the Regulation on Social Responsibility Practice formed in 2007, the social responsibility projects in education, environment, culture and arts, which are qualified to be long-lasting, being able to advance the society, far-reaching, sustainable and extendable.

Detailed information regarding these activities can be found on İşbank's corporate website and annual reports.

Corporate Governance Principles Compliance Report

15. Structure and Composition of the Board of Directors

Board Members of İşbank are listed below.

Name, Surname	Position
H. Ersin Özince	Chairman
Füsun Tümsavaş*	Vice Chairman
Adnan Bali	Member of the Board and CEO
Prof. Dr. Savaş Taşkent*	Member of the Board
Hasan Koçhan	Member of the Board
Aynur Dülger Ataklı	Member of the Board
M. Mete Başol	Member of the Board
Mustafa Kıcalıoğlu	Member of the Board
Aysel Tacer	Member of the Board
Hüseyin Yalçın	Independent Member of the Board
Murat Vulkan	Member of the Board

* In line with the related regulations, Audit Committee Members are regarded as Independent Members.

Board of Directors, excluding the chief executive officer, comprises of non-executive members.

The election of İşbank Board members is implemented according to article 25 of the Articles of Incorporation and the Banking Law. As per the Banking Law, the Chief Executive Officer of the Bank and, in his absence, his deputy shall be a natural member of the Board.

Backgrounds and terms of office of the Board of Directors of İşbank along with the committees in which they take charge are presented in the annual reports.

Mr. Hüseyin Yalçın was nominated as Independent Member of the Board and Corporate Governance Committee's "Evaluation Report of Independent Member Nominee" dated 27.02.2013 was submitted to the Board on the same date.

Independence declaration of Mr. Yalçın is quoted below:

As per the requirements of the legislation, Bank's articles of incorporation and corporate governance principles of Capital Markets Board, due to my nomination as "independent member" to the Board of Directors, I hereby declare to the committee, İşbank shareholders and all the related parties that;

- Employment, capital or substantial commercial relationship has not been established in the past five years between legal entities with which İşbank, any related party of İşbank or shareholders holding, directly or indirectly, 10% or more share in İşbank's capital, is related with respect to management or capital, and myself, my spouse and my relatives by blood or marriage up to second degree,
- I have not worked for or served as a member on the boards of directors of any company undertaking İşbank's activities or organization with in the context of contract made partly or as a whole, and particularly of the firms that audit İşbank or provide rating or consultancy services to İşbank, in the past five years,
- I was not a shareholder, employee or board member for any company supplying service or product in substantial quantity to İşbank in the past five years,
- I am not a shareholder holding more than 1% share in İşbank's capital and holding privileged shares.
- I possess the vocational education, knowledge and experience necessary to fulfill the duties I will assume in connection with being an independent board member,
- I am not a full-time employee of state institutions and organizations,
- I am considered as a resident in Turkey as per the Income Tax Law,
- I have high ethical standards, goodwill and experience necessary to contribute to İşbank's activities. Maintaining my objectivity in conflicts of interest between İşbank's shareholders and deciding independently by taking into account the rights of stakeholders,
- I am capable of dedicating sufficient time to be able to observe the Bank's activities and to fulfill the requirements of the duties I undertake,

- I still have all the qualifications as per the Corporate Governance Principles to be an independent member and i will protect all these conditions during the duty term in case of being appointed as independent member. I will inform İşbank Board immediately in case of losing my independency.

No circumstances arose in the reporting period, which abolished the independence of Independent Board members.

Although there is no restriction for the Board members to work elsewhere, some activities of Board members have been defined as "Forbidden Activities" in article 32 of the Articles of Incorporation of İşbank.

Duties of the Board members in other companies than İşbank Group are presented below.

Board Members	Duties in İşbank Group Companies(*)	Other Duties
H. Ersin Özince	-	<ul style="list-style-type: none"> • Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund • Member of the Board of Trustees of the TEMA Foundation • Member of Institut International d'Etudes Bancaires • Member of the Institute of International Finance • Member of the Board of Trustees of Bilkent University • Member of Darüşşafaka Association and High Advisory Board • Member of Global Relations Forum
Füsun Tümsavaş	-	<ul style="list-style-type: none"> • Vice Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund
Adnan Bali	<ul style="list-style-type: none"> • Chairman of the Board of İşbank Russia (CSJC İşbank) • Chairman of the Board of İşbank Germany (İşbank AG) • Chairman of the Board of Industrial Development Bank of Turkey (TSKB) • Member of the Board of İşbank Batumi/Georgia Branch 	<ul style="list-style-type: none"> • Member of the Board of Vehbi Koç Foundation • Member of Darüşşafaka Association, Member of the Board of Trustees • Member of Turkish Industry and Business Association (TÜSİAD) • Member of Istanbul Foundation for Culture and Arts (İKSV) • Member of Turkish Finance Managers Association (Finans Kulüp) • Member of the Institute of International Finance • Member of the Board of Trustees of TEMA Foundation • Member of the Global Relations Forum • Member of the Economic Development Foundation (İKV)
Prof. Dr. Savaş Taşkent	-	<ul style="list-style-type: none"> • Hourly paid Professor in İstanbul Technical University • Advisor to the Rector in İstanbul Technical University
Hasan Koçhan	-	-
Aynur Dülger Ataklı	-	-
Mehmet Mete Başol	-	<ul style="list-style-type: none"> • Independent Member of the Board of Anadolu Efes Biracılık ve Malt San. A.Ş. and Member of the Committee Responsible for Audit • Independent Member of the Board of Coca Cola İçecek A.Ş. and Head of Committee Responsible for Audit • Member of the Board of Dedeman Holding A.Ş. • Member of the Board of Dedeman Turizm Yönetimi A.Ş. • Mehmet Mete Başol Private Company
Mustafa Kicalıoğlu	-	-
Aysel Tacer	-	<ul style="list-style-type: none"> • Member of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund
Hüseyin Yalçın	-	-
Murat Vulkan	-	-

* Only the branches, subsidiaries and participations of İşbank, the parent company of İşbank Group, have been considered.

Corporate Governance Principles Compliance Report

16. Fundamentals of the Functions of the Board of Directors

The Board meetings are, as per the Articles of Incorporation, held at least once a month, yet interim meetings might be held in case of need. Meeting agendas are prepared in accordance with the proposals of Bank's units. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting date, agenda and related documents are delivered to the Board members before the meetings according to the principles determined by the Board.

All the discussions during the Board meetings are recorded in the minutes of the Board meetings. As per article 28 of the Articles of Incorporation, the minutes of the Board meetings were recorded to the Board Record Book, but within the framework of the change in regulations, starting from 11 June 2008 separate record books are being kept for the Board Resolutions and the minutes of the Board meetings. When there is a dissenting opinion on an item at the Board meetings, the related dissenting vote is recorded to the Board Record Book. Each Board member has one vote and the Board members do not have any weighted voting rights and/or veto rights.

14 Board meetings were held in 2013. Full participation is generally achieved at the meetings and all the decisions are made in accordance with resolution quorum mentioned in Articles of Incorporation. In 2013, 13 meetings were held by full participation. 563 pages of meeting minutes were taken for the Board meetings in 2013. 819 resolutions were made both during the meetings and by examining files.

17. Number, Structure and Independency of the Committees Established within the Board

The administrative and organizational structuring required by the Banking Law Nr. 5411 and related legislation, exists in İşbank. A member of the Board can be appointed to more than one committee within the framework of the related regulation.

As per the resolution of the Board of Directors dated 27.02.2013, Nr. 38923, the Corporate Governance Committee was established in order to

- monitor the company's compliance with the corporate governance principles,
- perform improvement studies and offer any other suggestions to the Board and Committee with regard to the Corporate Governance Practices,
- fulfill the tasks that are set forth by the related legislation of Corporate Governance Committee and Nomination Committee.

The Committee is chaired by Ms. Füsün Tümsavaş who is also the Vice Chairman of the Board. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

In 2013, Corporate Governance Committee held 5 meetings with full participation and adopted 1 resolution.

The information about İşbank's other committees, that are established within the framework of the Banking regulation and other related regulations, is given under the caption of "İşbank Committees" in the Annual Report.

18. Risk Management and Internal Control

As per article 29 of the Banking Law, banks are obliged to establish and operate adequate and efficient internal control, risk management and internal audit systems that are in harmony with the scope and structure of their activities, that can respond to changing conditions and that cover all their branches and participations subject to consolidation in order to monitor and control the risks that they encounter. Internal controlling activities carried out by the Bank's employees with the awareness of responsibility, are controlled and monitored by the Internal Control Division and the internal control personnel who report to the Board of Directors. Risk Management activities are performed by the Risk Management Division and personnel who report to the Board of Directors. Furthermore, banks have to establish internal audit systems that involve all their units, branches and participations subject to consolidation. In this context, bank inspectors investigate the compliance of the banking activities to the legislation, articles of association, internal regulations and banking principles.

İşbank's internal audit, risk management and internal control systems have been established in accordance with the principles and organization structures as required by domestic regulations in parallel with the best international practices. The units constituting the internal systems are the Board of Inspectors, Internal Control, Risk Management and Corporate Compliance Divisions. The units constituting the internal systems work under the Board of Directors. The effectiveness of the activities of the aforementioned units is monitored by the Audit Committee and the Board of Directors.

Corporate Compliance Division works under the Board of Directors through the Audit Committee on issues regarding the regulation and compliance and along with prevention of laundering of criminal proceeds and finance of terror. The basic objective of the corporate compliance practices is to make the maximum contribution to ensure that the compliance risk at the Bank is managed effectively and as targeted, thus kept under control and within this framework, the structure and implementation of the Bank's operations are carried out constantly in accordance with the rules, regulations and standards. In addition, the Corporate Compliance Division, which is also responsible for the coordination of duties and activities related with compliance and compliance risk, has a mutual communication and cooperation with other related Divisions and employees.

19. Strategic Goals of the Bank

The vision and objectives of İşbank were approved by the Board of Directors and disclosed to public via the Bank's website. In this context, İşbank's vision is "to be the most preferred bank by customers, shareholders and employees by maintaining the leading, pioneering and trusted position as a regional financial power" İşbank's mission, in general, is described as meeting the needs of its customers with fast, efficient and high standard solutions, increasing the value it created for its shareholders constantly and being a bank that encourages employees for the maximum performance, and İşbank's strategy is described as "sustainable and profitable growth based on being "the bank closest to customers" philosophy in an effort to fulfill its vision and objectives. The Board of Directors regularly monitors and supervises the performance of the Bank in terms of achieving the strategic goals. The Business Programme that includes the yearly objectives formed according to the general strategic goals, comes into effect after approval by the Board of Directors. The quarterly performance of the Bank in comparison with the objectives is reported comprehensively to the Board of Directors.

20. Remuneration

İşbank carries out its activities regarding remuneration policies within the framework of the related banking regulations and Capital Market regulations.

Monthly remunerations of the Board members are determined annually at İşbank's General Shareholders' Meetings and disclosed to the Borsa Istanbul.

Benefits paid to key management personnel in 2013 amount to TL 15,401 thousands. Moreover, cost of allowance, travel, accommodation, representation, as well as opportunities in cash and in kind, insurance and similar guarantees for key management personnel in the same year amount to TL 5,506 thousands.

On the other hand, restrictions related with the loans to be extended by İşbank to the Board members and employees are defined in article 50 of the Banking Law. In this context, İşbank does not extend loans to its Board members and employees other than those allowed by the law.

As for the remuneration of the Board of Directors; article 58 of İşbank's Articles of Incorporation contains the following expression: "After the legal and extraordinary reserves fund and the first dividend have been allocated from the net profit, 0.25% of the remaining balance is distributed among the members of the Board of Directors and the Chief Executive Officer equally."

Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period

Internal Audit

The İşbank Board of Inspectors reports to the Board of Directors. The İşbank Board of Inspectors audits the activities of the Bank's head office units (including internal control, risk management and compliance units), domestic and foreign branches and the subsidiaries, in accordance with the Bank's mission, strategies and policies, as well as relevant laws and regulations. Furthermore, the Board of Inspectors performs the Bank's processes and information systems audits. The Board of Inspectors also carries out preparatory inquiries, fraud examinations and investigations when necessary.

Having been certified to be in conformance with the international quality standards, the İşbank Board of Inspectors combines the Board's fundamental audit experience with advanced technology in a modern, risk-focused approach to perform its duties. The board's auditing functions are carried out by on-site inspections as well as remotely by using data mining and fraud detection technologies.

Depending on their content and priority, audit reports are submitted to the Board of Directors, Audit Committee, senior management and related Head Office units. In the meantime, corrective measures taken by the relevant head office departments are monitored by the Boards of Inspectors. The Board of Directors monitors activities of the Board of Inspectors through monthly reports presented via the Audit Committee.

During 2013, The Board undertook 467 branches, 3 head office units and 4 subsidiaries audits. In addition to their audit-related activities, members of the İşbank Board of Inspectors also undertake duties on major projects that the Bank is involved in.

Banking processes and IT audits are conducted annually by the members of The Board of Inspectors in accordance with the "Regulation on Bank Information Systems and Banking Processes Audit to be Performed by External Audit Institutions" that is published by Turkish Banking Regulation and Supervision Agency. During the financial reporting process audit, both consolidated and unconsolidated financial statements' preparation process is taken into account.

According to the results of the banking processes and IT audits conducted in 2013, as of December 31, 2013 there has been,

- no material weakness in the internal controls over the main banking processes ensuring the Bank to perform efficiently, reliably and continuously,
- no material finding about the integrity, availability, consistency and reliability of the data reported in consolidated and unconsolidated financial statements.

With the help of the risk focused audit plan, The Board audited a considerable portion of İşbank's entire credit portfolio in 2013. The remote auditing activities of the Board has enabled the Bank to monitor the major risks especially in loans and human resources regularly and has given the Bank the ability to counteract before the risks increase further.

Internal Control

Internal Control system of İşbank is designed and operated in a way to ensure the protection of assets of the Bank, the continuation of the Bank's activities in compliance with the laws and other related regulations, banking conventions, internal rules and policies; in an effective and efficient way and to provide the reliability and integrity of accounting and financial reporting systems and to enable the availability of information in a timely manner. The continuous integrity of all of İşbank's operations is enabled by the internal control system.

At the time of planning and operation of Banking activities, the main framework of the internal control activities that are carried out by all of İşbank personnel with a sense of high responsibility are structured on the control of operations, the control of communication channels and information systems, control of financial reporting system and compliance controls. The Internal Control Division operates under the direction of and reports to the Board of Directors. It aims to provide the maximal contribution to ensure that the internal control structure that makes up the Bank's control infrastructure always functions in compliance with the related laws, regulations and standards in a sound, strong and effective way. Internal Control Division is responsible for examining, controlling, monitoring and evaluating the Bank's activities and reporting its findings to the parties concerned. Control and monitoring activities by the Internal Control Division are carried out by on site activities and/ or from a central location, these controls are structured to comprise the Head Office divisions, internal and external branch operations and subsidiaries that are subject to consolidation.

The results of internal control activities together with opinions and recommendations that will increase effectiveness and efficiency are shared with those responsible for the related processes and this contributes to the implementation of solutions. All of these proceedings are continuously and closely monitored by the internal controllers and their managers as well as by those responsible for the conduct of the activities. The evaluations made about the operations are reported to Senior Management. The results of the internal control activities are also continuously evaluated and monitored by the Board of Directors and the Audit Committee.

In the strong control environment of İşbank, all employees work with a high sense and responsibility of control. The Board of Directors monitors and promotes the internal control system so that it functions in line with the goals of the Bank in an efficient and effective way. The potential risks and their probable effects have been assessed and the necessary controls to mitigate the risks or keep them at an acceptable level have been implemented. There is a healthy communication environment which provides the access to information to implement internal control activities that support corporate goals and which enables all employees to be informed about their internal control duties and responsibilities. The existence and healthy operation of internal control components are monitored continuously and orderly by all the relevant parties. All shareholders are putting forth their best efforts to develop the internal control system perpetually. It is concluded that İşbank's internal control system is dependable and operates effectively in line with the regulations and parallel with the goals and targets of the Bank.

Compliance

Compliance is the foremost duty and responsibility of all managers and employees of the Bank at any level. The coordination of functions and activities regarding compliance executed in the Head Office Divisions and Branches of the Bank is managed through the corporate compliance activities conducted within the Corporate Compliance Division, which reports to the Board of Directors.

Corporate Compliance Division operates with the purpose to provide maximum contribution in order to manage the compliance risk and control this risk in an appropriate and efficient manner and in this regard to execute and manage the activities of the Bank continuously in compliance with the relevant laws, regulations and standards.

The necessary researching, analyzing, monitoring, assessing, informing, conducting, coordinating and reporting activities regarding compliance issues are conducted within the Corporate Compliance Division, which consists of three sub-units, namely, Regulatory Compliance, Banking Activities Compliance and Anti-Money Laundering Compliance.

The duties and responsibilities of the Compliance Officer as stated in the Prevention of Laundering Proceeds of Crime Law and other related regulations in effect are fulfilled by the Head of Corporate Compliance Division, who is the legal "Compliance Officer" of the Bank as well. The activities regarding the prevention of laundering proceeds of crime and finance of terror in our Bank are executed in an express and efficient manner within the context of related legislations and the Bank's Policy and the Compliance Program, which have been prepared in accordance with these legislations.

Bank's Compliance and Compliance Risk Management Policy and Prevention of Laundering Proceeds of Crime and Finance of Terror Policy are stated in "Investor Relations / Corporate Governance" link at our Bank's website www.isbank.com.tr in English and Turkish.

The results of the activities regarding compliance are also regularly monitored and evaluated by the senior management and the Board of the Bank.

Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period

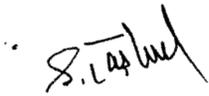
Risk Management

Besides banking activities, both financial and non-financial risks encompassing the whole group required to be analyzed, monitored and reported from the standpoint of group risk management in addition to that of banking-specific risk management principles. This aspect of risk management, beyond regulatory requirements has become an industry standard for corporate governance.

The risk management process, organized within the framework of advanced risk management methodologies and favors a common risk management culture throughout the establishment, is structured to emphasize good corporate governance, assuring independency of units responsible for monitoring and controlling risk from executive functions, so that risk definition, measurement, analysis, monitoring, reporting, and control functions are carried out within the same framework.

A general assessment of risk by categories suggests that the most significant risk Bank was exposed in 2013 was credit risk, just as was also the case in 2012. This was followed by market risk, especially currency risk. In 2013, capital allocation was done for nonfinancial operational risk according to framed policy beside financial risk. On the other hand, it is observed that the most common risks inherited in the banking processes are related to information technology. As the activities are maintained mainly with the support of information technology, information technology risk should be monitored closely.

The process of risk management and the functions involved in that process are among the highest priority responsibilities of the İşbank Board of Directors. The Risk Management Division, which acts through the Risk Committee and forms a functional constituent of the risk management function in collaboration with the Bank Credit Committee and the Assets & Liabilities Committee, calculates the capital adequacy ratio in accordance with the Basel framework and consistent with international best practices, in addition to working towards advancing the calculations and optimizing the capital adequacy management process. Sub-units of Risk Management Division are Asset-Liability Management Risk Unit, Credit Risk and Economical Capital Unit, Operational Risk, Model Validation and Subsidiary Risk Unit.



Prof. Dr. Savaş Taşkent
Member of the Board and the Audit Committee



Füsun Tümsavaş
Vice Chairman of the Board and
Chairman of the Audit Committee

Financial Condition, Profitability and Solvency

In 2013, İsbank's total assets grew by 20.0% to TL 210.5 billion.

In 2013, İsbank increased its total loans (which made the greatest contribution to the Bank's asset growth) by 26.4% year-on-year to TL 134.8 billion. During this period, TL-denominated loans were up by 22.0% while the growth in foreign currency loans was 35.2%. The growth in foreign currency loans was 14.2% when the effect of the rising FX rate is excluded.

The share of loans in total assets increased to 64.1% in 2013, while the share of the Bank's securities portfolio in total loans decreased to 17.5%, as in 2012.

The ratio of İsbank's non-performing loans in total loans declined from 1.9% in 2012 to 1.6% (below the sector average) at the end of 2013, a result of the healthy loan growth, a solid collection performance and sales made from the NPL portfolio. The NPL coverage ratio stood at 80.4% at the end of 2013.

Total deposits increased by 14.8% to TL 121.0 billion in 2013. During this period, TL-denominated deposits increased by 2.2% while the growth in foreign currency deposits stood at 35.0%. There was 14.1% growth in foreign currency deposits, excluding the effect of the weaker TL. TL-denominated saving deposits climbed by 9.5% to TL 45.4 billion in this period while the volume of TL-denominated saving deposits, which accounted for 37.5% of total deposits at the end of the year, was one of the most important indicators of the Bank's extensive and reliable deposit base.

Within the framework of the effective cost management and resource diversification approach, the Bank effectively deployed non-deposit resources (such as loans, repurchase transactions and securities issues) in financing its assets in 2013. While deposits remained the primary funding source, with a 57.5% share in 2013, the share of non-deposit resources in total liabilities stood at 23.7%.

İsbank's shareholders' equity reached TL 23.6 billion at the end of 2013; accordingly, the Bank maintained its leadership in terms of shareholders' equity in 2013. The Bank's capital adequacy ratio stood at 14.4% - well above the legal limit.

Although İsbank's net interest margin declined slightly when compared to the previous year, the Bank's net interest revenues expanded by 12.3% YoY as a result of the 21.0% increase in interest earning assets, in parallel with loan growth.

Another factor to contribute to profitability was the 12.5% rise in net fees and commissions income in 2013.

İsbank's net profit for the period stood at TL 3.2 billion, with an average return on equity of 13.7% and average return on assets of 1.6% in 2013.

Information on Risk Management Policies Applied Per Risk Types

Bank risk policies and procedures constitute the internal rules and principles which are approved and enforced by the Board considering Risk Management Division suggestions and executed by the senior management.

These policies that have been put into effect in accordance with international standards, stipulate general standards regarding the organization and scope of risk management function, risk measurement methods, roles and responsibilities of the risk management group, risk limit setting methodology, rules governing the breach of limits and confirmations that have to be given in various situations.

As a result of the main business of the Bank, credit risk is considered as the most important financial risk factor the Bank is exposed to. Aside from credit risk, due to the asset and liability mismatch prevalent in the Turkish banking sector, liquidity risk and interest rate risk are other financial risks that are regarded as prominent. In addition to these financial risks, although direct influence to the Bank's financial statements is fairly limited, currency risk is regarded as one of the important financial risks of the Bank due to its characteristic to increase the credit risk profile of the Bank through exposure to the credit customers bearing short currency position against Turkish Lira.

Apart from the financial risks mentioned above, the most important non-financial risk of the Bank appears to be business environment risk. It is concluded that geopolitical risks arising from political instability in nearby geography of Turkey, upcoming fierce competition in local market and new banking regulations are the main drivers of business environment risk. The above mentioned assessments are presented in financial statements.

To ensure the conformity of the Bank's risk appetite with business plan and prevailing market environment, risk limits set by the Board of Directors are monitored. In this context, breaches in market, liquidity, structural interest rate and credit risk limits are analyzed by Risk Management Division taking market and industry conditions into consideration, and findings are reported to the Audit Committee.

Capital Adequacy Policy

Capital Adequacy Policy defines the level of capital, on consolidated and unconsolidated basis, that the Bank must hold against potential losses arising from financial risks associated with on and off-balance sheet items in addition to non-financial risks caused by the Bank's operations; and establishes the principles for maintaining and monitoring the minimum capital levels determined in accordance with the legal regulations and the Internal Capital Adequacy Assessment Process. Risk management policies form an integral part of the Capital Adequacy Policy.

Credit Risk Policy

Credit risk is defined as any situation where the counterparty obligation will not or can not be fulfilled partially or fully on maturity as affirmed in the agreement. Credit risk policy sets the framework for credit risk management, control and monitoring, roles and responsibilities and credit risk limits.

İşbank maintains identification, measurement and management of credit risk across all products and activities. The Board reviews credit risk policies and strategies annually at minimum. Senior management is responsible for the execution of credit risk policies.

The findings of independent review of loans and credit risk are reported to the Board and the senior management regularly. Monitoring credit risk includes parameters such as maturity, industry, collateral, geography, currency, loan type, and credit risk ratings as a whole, in addition to the assessments on the obligor and the facility.

In managing credit risk, İşbank implements internal risk limits specified by the Board of Directors that restrict the maximum credit risk based on parameters such as risk groups and sectors in addition to the credit risk limits that are mandated by legal regulations. These internal limits are determined in a way that does not lead to risk concentrations.

Breaching risk limits until the regulatory limits are treated as "exceptional procedure". The authorization for exceptional procedure resides with the Board of Directors. The results of controls and assessments related to risk limit breaches are presented to senior management and the Board of Directors by Internal Audit and Risk Management Functions.

İşbank employs internal credit risk rating systems that are developed to service the needs for credit management, credit granting decisions, credit process audits and credit provision calculations. Internal audit and risk management functions regularly assess the internal credit risk rating systems according to their compatibility with the structure, size and complexity of the Bank's operations. If diverse circumstances required, necessary adjustments and/or modifications are made to the system. Internal credit risk rating systems are assessed by the Risk Committee and approved by the Board of Directors.

Asset and Liability Management Risk Policy

Asset and liability management risk is defined as; loss risk caused by Bank's failure to effectively manage all financial risks arising from the bank's assets, liabilities and off-balance sheet transactions. Market risk of trading book, structural interest rate risk of banking book and liquidity risk are all within the scope of asset and liability management risk.

All principles and procedures related to constitution and management of Bank's asset-liability structure and Bank's risk appetite is established by the Board of Directors. Ensuring asset and liability management risk being within the levels imposed by legal legislation and internal risk limits is the primary priority. Internal risk limits are determined by Board of Directors taking into consideration liquidity, target income level, general expectations about the changes in risk factors and risk appetite of the Bank.

Board of Directors and Audit Committee are obliged to track that Bank's capital is used optimally. For this purpose these bodies are obligated to keep risk limits under control and ensure necessary actions being taken.

Asset-Liability Committee is responsible for governance of asset and liability management risk in accordance with the risk appetite and risk limits determined by Board of Directors and within the principles and procedures expressed in this policy.

Measuring asset and liability management risk, reporting the results and monitoring the compliance with the risk limits are the responsibilities of Risk Management Division. The course of the risk taken is reviewed under different scenarios. Measurement results are tested in terms of reliability and integrity. Asset and liability management risk is reported to Risk Committee and reported to the Board of Directors through Audit Committee.

Compliance with risk limits is closely and continuously monitored by Risk Management Division, Asset-Liability Committee and related business units. In the event of a breach in the risk limits, the breach and its reasons are instantly reported to Board of Directors through Audit Committee. Course of action needed to be taken in order to eliminate the breach is determined by the Board.

Asset and liability management processes and compliance with the policy rules are audited by internal audit system. The principles regarding the audit process, audit reports and fulfillment of action plans to eliminate the errors and gaps determined by internal audit are established by the Board of Directors.

Operational Risk Policy

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Risk Management Division is responsible for the risk management activity on this particular risk. Operational risk management activities comprise defining, measuring, analyzing, monitoring and reporting of operational risks, following up the new techniques on management of operational risks besides regulatory and internal reporting. The fundamental principles and procedures of risk management are determined in Operational Risk Policy.

Categorization of inherited operational risks within the activities and processes is monitored via the Enterprise Risk Framework. It serves as the basic document to define and classify the risks and is subject to alteration as conditions change. Enterprise Risk Framework is modified in line with the improving risk management practices and changing regulations

The methodology employed to identify operational risks is "self-assessment". This methodology requires staff with roles and responsibilities in a particular activity to get involved in the risk and control assessment process of that activity. Operational risk management process combines both qualitative and quantitative approaches in measurement and assessment. The measurement process uses data obtained from "impact - likelihood analysis", "loss database" and "key risk indicators".

All operational risks inherited in the banking processes and information systems, risk levels of new products and processes, operational losses incurred by the Bank are monitored continuously, risk assessments are updated regularly and reported to the Risk Committee and the Board in a timely manner.

Employees have the understanding of the Bank's objective to attain a working environment aiming to reduce the probability of loss, considering that the entire internal rules and procedures, led by operational risk policy, and act sensitively to the inherited operational risks and controls.

Consolidated Risk Policies

Compliance with risk management principles related to the Bank's subsidiaries are monitored through Bank's "Consolidated Risk Policies" by Subsidiary Risk Unit. Subsidiaries identify their specific risk management policies that cannot divert from or conflict with consolidated risk policies. Subsidiary boards approve company risk policies that form the framework of their risk management systems and processes.

Information Systems Management Policy

The purpose of Information Systems Management Policy is to determine the principles which will constitute a basis for the management of information systems that the Bank uses to fulfill its activities and the procedures in order to define, measure, control, monitor, report and manage the risks derived from using information technologies. With the Policy, the information technologies which is an important element for sustaining Bank activities is intended to be managed effectively as information systems management, being handled as a part of corporate governance practices. On the management of Bank's information systems and all the elements relating to those systems articles of this Policy are applied.

Risks derived from information technologies are basically assessed within the scope of Bank's operational risk management. It is essential that those risks which could be seen as multipliers of the other risks derived from activities of the Bank are measured, closely monitored and controlled within the framework of Bank's integrated risk management.

İşbank Credit Ratings

	Rating	Outlook
MOODY'S		
Bank Financial Strength	D+	Stable
Long-term Foreign Currency Deposit	Baa3	Stable
Long-term Local Currency Deposit	Baa2	Stable
Short-term Foreign Currency Deposit	P-3	-
Short-term Local Currency Deposit	P-2	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB	Stable
Long-term Local Currency Issuer Default Rating	BBB	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Viability Rating	bbb	-
Support Rating	3	-
STANDARD & POOR'S		
Long-term Counterparty Credit Rating	BB+	Negative
Short-term Counterparty Credit Rating	B	-
Long-term National Scale Rating	trAA+	-
Short-term National Scale Rating	trA-1	-

The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 20 May 2013,

Fitch Ratings: 31 October 2013,

Standard & Poor's: 11 February 2014

Unconsolidated Financial Statements as of and for Year Ended 31 December 2013 with Independent Auditors' Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



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To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") as of 31 December 2013 and the unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

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

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our audit opinion.

The accompanying unconsolidated financial statements as of 31 December 2013 include a general provision amounting to TL 1,000,000 thousands, which had been recognized as expense in the prior periods provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in economy or market conditions.

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

İstanbul
12 February 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

Murat ALSAN
Partner, SMMM

Additional paragraph for convenience translation to English:

As explained in Note I in Section Three, the accompanying 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 İŞ BANKASI A.Ş.
The Unconsolidated Financial Report as of and
for the Year Ended 31 December 2013

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The unconsolidated financial report as of and for the year ended 31 December 2013 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

GENERAL INFORMATION ABOUT THE BANK
UNCONSOLIDATED FINANCIAL STATEMENTS
EXPLANATIONS ON THE ACCOUNTING POLICIES
INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
OTHER EXPLANATIONS
INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes in this report are prepared in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been subjected to independent audit and presented as the attached.

Prof. Dr. Savaş Taşkent
Member of the Board and
the Audit Committee

Füsün Tümsavaş
Deputy Chairman of the Board of Directors and
Chairman of the Audit Committee

H. Ersin Özince
Chairman of the Board of Directors

Ali Tolga Ünal
Head of Financial Management Division

Mahmut Magemizolu
Deputy Chief Executive
In Charge of Financial Reporting

Adnan Bali
Chief Executive Officer

The authorized contact person for questions on this financial report:

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TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

SECTION ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanations on the Establishment Date and Initial Status of the Bank, History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group

As of 31 December 2013, 40.16% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.75% are on free float (31.12.2012 Central Registry Agency's data: Fund 40.73%, Republican People's Party 28.09%, Free float 31.18%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Board of Directors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Fusun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee, Chairman of the Corporate Governance Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee, The Remuneration Committee and Corporate Governance Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcalıoğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

Chief Executive Officer and Deputy Chief Executives:

Name and Surname ⁽¹⁾	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, SME and Business Banking Sales, Free Zone Branches
Hakan Aran	Alternative Distribution Channels Operations, Information Technology Management
Levent Korba	Banking Operations, Retail Loan and Card Operations, Support Services and Purchasing, Foreign Trade and Commercial Loan Operations, Internal Operations Management, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Loan Portfolio Management, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management, Coordination of Consumer Relations Officer
Senar Akkuş	Treasury Management, Corporate Communication Management, Social Responsibility Committee Member of the Risk Committee
İlhami Koç	Associates, Cross-Border Banking and Foreign Subsidiaries, Branches and Representative Offices, Capital Markets Management and the Risk Committee ⁽²⁾
Yılmaz Ertürk	Economic Research, International Financial Institutions
Ergün Yorulmaz	Legal Counsellorship, Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management

⁽¹⁾ As of 27 December 2013 Mr. Aydın Süha Önder resigned from the positions at Bank

⁽²⁾ İlhami Koç participates in the meetings of the Risk Committee on a consolidated basis.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

IV. Information on the Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,807,003	40.16%	1,807,003	
Cumhuriyet Halk Partisi - Republican People's Party -(Atatürk's Shares)	1,264,142	28.09%	1,264,142	

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

V. Summary Information on the Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholders' Equity between the Bank and its Subsidiaries or the Reimbursement of Liabilities

None.

VII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policies which are agreed by Board of Directors' minutes decision numbered 35386 and dated on 29 April 2009, can be obtained from the Bank's website.

TÜRKİYE İŞ BANKASI A.Ş.

SECTION TWO: UNCONSOLIDATED FINANCIAL STATEMENTS

I. Unconsolidated Balance Sheet - (Statement of Financial Position) - Assets

ASSETS	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-a	5,223,115	17,804,420	23,027,535	2,593,915	13,361,931	15,955,846
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-b-c	917,552	1,286,006	2,203,558	898,143	475,193	1,373,336
2.1 Financial Assets Held for Trading		917,552	1,286,006	2,203,558	898,143	475,193	1,373,336
2.1.1 Government Debt Securities		883,996	5,901	889,897	748,739	4,978	753,717
2.1.2 Equity Securities		2	-	2	56	-	56
2.1.3 Derivative Financial Assets Held for Trading		32,468	1,280,105	1,312,573	148,448	470,215	618,663
2.1.4 Other Marketable Securities		1,086	-	1,086	900	-	900
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	V-I-d	115,202	1,412,408	1,527,610	104,137	1,330,709	1,434,846
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	V-I-e-f	21,947,541	6,400,289	28,347,830	20,009,079	6,337,824	26,346,903
5.1 Equity Securities		27,833	252	28,085	14,832	252	15,084
5.2 Government Debt Securities		21,908,184	5,147,066	27,055,250	19,974,632	5,029,824	25,004,456
5.3 Other Marketable Securities		11,524	1,252,971	1,264,495	19,615	1,307,748	1,327,363
VI. LOANS AND RECEIVABLES	V-I-g	87,553,358	47,727,663	135,281,021	71,841,167	35,300,987	107,142,154
6.1 Loans and Receivables		87,115,711	47,727,663	134,843,374	71,414,783	35,300,987	106,715,770
6.1.1 Loans to the Bank's Risk Group		737,844	783,201	1,521,045	863,444	535,632	1,399,076
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		86,377,867	46,944,462	133,322,329	70,551,339	34,765,355	105,316,694
6.2 Non-Performing Loans		2,236,248	1,544	2,237,792	1,993,124	32,143	2,025,267
6.3 Specific Provisions (-)		1,798,601	1,544	1,800,145	1,566,740	32,143	1,598,883
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	V-I-h	7,611,751	15,697	7,627,448	10,944,717	8,441	10,953,158
8.1 Government Debt Securities		7,603,817	-	7,603,817	10,937,646	-	10,937,646
8.2 Other Marketable Securities		7,934	15,697	23,631	7,071	8,441	15,512
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-i	743,915	-	743,915	743,915	-	743,915
9.1 Associates Accounted for Using the Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		743,915	-	743,915	743,915	-	743,915
9.2.1 Financial Investments		85,295	-	85,295	85,295	-	85,295
9.2.2 Non-Financial Investments		658,620	-	658,620	658,620	-	658,620
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-j	6,600,545	416,311	7,016,856	6,594,184	361,855	6,956,039
10.1 Unconsolidated Financial Subsidiaries		3,278,397	416,311	3,694,708	3,058,279	361,855	3,420,134
10.2 Unconsolidated Non-Financial Subsidiaries		3,322,148	-	3,322,148	3,535,905	-	3,535,905
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-k	-	-	-	-	-	-
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Jointly Controlled Entities		-	-	-	-	-	-
11.2.1 Jointly Controlled Financial Entities		-	-	-	-	-	-
11.2.2 Jointly Controlled Non-Financial Entities		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-l	-	-	-	-	-	-
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	V-I-m	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-n	1,825,513	6,093	1,831,606	1,816,398	4,510	1,820,908
XV. INTANGIBLE ASSETS (Net)	V-I-o	195,168	791	195,959	104,907	-	104,907
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		195,168	791	195,959	104,907	-	104,907
XVI. INVESTMENT PROPERTY (Net)	V-I-p	-	-	-	-	-	-
XVII. TAX ASSETS	V-I-r	538,521	71	538,592	594,491	-	594,491
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset		538,521	71	538,592	594,491	-	594,491
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-s	62,639	-	62,639	72,970	-	72,970
18.1 Held for Sale		62,639	-	62,639	72,970	-	72,970
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-t	1,122,096	973,372	2,095,468	1,353,642	591,335	1,944,977
TOTAL ASSETS		134,456,916	76,043,121	210,500,037	117,671,665	57,772,785	175,444,450

II. Unconsolidated Balance Sheet - (Statement of Financial Position) - Liabilities and Equity

LIABILITIES	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-a	66,439,955	54,534,810	120,974,765	64,989,794	40,393,640	105,383,434
1.1 Deposits from the Bank's Risk Group		1,973,195	1,888,715	3,861,910	2,112,558	1,750,760	3,863,318
1.2 Other		64,466,760	52,646,095	117,112,855	62,877,236	38,642,880	101,520,116
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-b	685,499	296,023	981,522	390,718	346,566	737,284
III. FUNDS BORROWED	V-II-c	1,651,042	14,270,852	15,921,894	888,308	9,859,246	10,747,554
IV. MONEY MARKET FUNDS		17,002,149	3,914,129	20,916,278	10,399,226	3,119,873	13,519,099
4.1 Interbank Money Market Funds		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Funds		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		17,002,149	3,914,129	20,916,278	10,399,226	3,119,873	13,519,099
V. MARKETABLE SECURITIES ISSUED (Net)	V-II-d	5,152,912	4,942,514	10,095,426	4,566,127	1,797,989	6,364,116
5.1 Bills		3,896,072	158,658	4,054,730	3,423,236	-	3,423,236
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		1,256,840	4,783,856	6,040,696	1,142,891	1,797,989	2,940,880
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		4,054,172	283,085	4,337,257	3,416,228	258,031	3,674,259
VIII. OTHER LIABILITIES	V-II-f	1,354,946	3,193,203	4,548,149	1,756,651	2,816,158	4,572,809
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	V-II-g	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-h	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XII. PROVISIONS	V-II-i	5,819,573	22,883	5,842,456	5,363,669	16,436	5,380,105
12.1 General Loan Loss Provisions		1,968,929	3,659	1,972,588	1,613,677	-	1,613,677
12.2 Provision for Restructuring		-	-	-	-	-	-
12.3 Reserves for Employee Benefits		364,947	-	364,947	362,521	-	362,521
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		3,485,697	19,224	3,504,921	3,387,471	16,436	3,403,907
XIII. TAX LIABILITY	V-II-j	318,736	294	319,030	541,966	328	542,294
13.1 Current Tax Liability		318,736	294	319,030	541,966	328	542,294
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-k	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED DEBT	V-II-l	-	2,984,143	2,984,143	-	1,804,451	1,804,451
XVI. SHAREHOLDERS' EQUITY	V-II-m	23,621,893	(42,776)	23,579,117	22,278,554	440,491	22,719,045
16.1 Paid-in Capital		4,500,000	-	4,500,000	4,500,000	-	4,500,000
16.2 Capital Reserves		3,674,798	(42,776)	3,632,022	4,910,420	440,491	5,350,911
16.2.1 Share premium		3,694	-	3,694	3,694	-	3,694
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Value Increase Fund		2,028,474	(42,776)	1,985,698	3,264,096	440,491	3,704,587
16.2.4 Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		26,692	-	26,692	26,692	-	26,692
16.2.8 Hedging Reserves (Effective Portion)		-	-	-	-	-	-
16.2.9 Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		1,615,938	-	1,615,938	1,615,938	-	1,615,938
16.3 Profit Reserves		12,283,730	-	12,283,730	9,557,827	-	9,557,827
16.3.1 Legal Reserves		2,044,830	-	2,044,830	1,816,495	-	1,816,495
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		10,177,540	-	10,177,540	7,754,686	-	7,754,686
16.3.4 Other Profit Reserves		61,360	-	61,360	(13,354)	-	(13,354)
16.4 Profit or Loss		3,163,365	-	3,163,365	3,310,307	-	3,310,307
16.4.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.4.2 Current Period Profit/Loss		3,163,365	-	3,163,365	3,310,307	-	3,310,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		126,100,877	84,399,160	210,500,037	114,591,241	60,853,209	175,444,450

TÜRKİYE İŞ BANKASI A.Ş.

III. Unconsolidated Statement of Off-Balance Sheet Items

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	V-III	73,673,427	94,970,887	168,644,314	60,478,549	68,744,213	129,222,762
I. GUARANTEES AND SURETYSHIPS		15,457,202	22,554,912	38,012,114	12,507,104	16,114,508	28,621,612
1.1. Letters of Guarantee		15,445,061	14,065,796	29,510,857	12,465,658	9,785,736	22,251,394
1.1.1. Guarantees Subject to State Tender Law		767,823	3,865,351	4,633,174	788,915	2,923,182	3,712,097
1.1.2. Guarantees Given for Foreign Trade Operations		2,010,806	5,064,059	7,074,865	1,147,044	2,529,524	3,676,568
1.1.3. Other Letters of Guarantee		12,666,432	5,136,386	17,802,818	10,529,699	4,333,030	14,862,729
1.2. Bank Acceptances		4,262	1,490,684	1,494,946	19,739	1,278,511	1,298,250
1.2.1. Import Letters of Acceptance		-	191,778	191,778	-	113,096	113,096
1.2.2. Other Bank Acceptances		4,262	1,298,906	1,303,168	19,739	1,165,415	1,185,154
1.3. Letters of Credit		-	6,421,249	6,421,249	-	4,585,247	4,585,247
1.3.1. Documentary Letters of Credit		-	4,221,966	4,221,966	-	3,298,568	3,298,568
1.3.2. Other Letters of Credit		-	2,199,283	2,199,283	-	1,286,679	1,286,679
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		7,879	577,183	585,062	21,707	465,014	486,721
1.9. Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS		33,746,881	13,558,184	47,305,065	29,490,633	7,658,309	37,148,942
2.1. Irrevocable Commitments		33,621,597	8,171,671	41,793,268	29,404,129	5,417,667	34,821,796
2.1.1. Forward Asset Purchase Commitments		140,066	3,339,085	3,479,151	96,311	788,786	885,097
2.1.2. Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3. Capital Commitment for Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		7,819,183	1,336,209	9,155,392	5,838,616	914,126	6,752,742
2.1.5. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		6,024,383	-	6,024,383	6,124,562	-	6,124,562
2.1.8. Tax and Fund Liabilities from Export Commitments		16,821	-	16,821	13,899	-	13,899
2.1.9. Commitments for Credit Card Expenditure Limits		17,679,967	-	17,679,967	15,742,457	-	15,742,457
2.1.10. Commitments for Credit Cards and Banking Services Promotions		90,239	-	90,239	76,548	-	76,548
2.1.11. Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		1,850,938	3,496,377	5,347,315	1,511,736	3,714,755	5,226,491
2.2. Revocable Commitments		125,284	5,386,513	5,511,797	86,504	2,240,642	2,327,146
2.2.1. Revocable Loan Granting Commitments		125,284	5,386,513	5,511,797	86,504	2,240,642	2,327,146
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		24,469,344	58,857,791	83,327,135	18,480,812	44,971,396	63,452,208
3.1. Derivative Financial Instruments held for risk management		-	-	-	-	-	-
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	-	-	-	-	-
3.1.3. Net Foreign Investment Hedges		-	-	-	-	-	-
3.2. Derivative Financial Instruments Held for Trading		24,469,344	58,857,791	83,327,135	18,480,812	44,971,396	63,452,208
3.2.1. Forward Foreign Currency Buy/Sell Transactions		3,631,263	5,518,931	9,150,194	4,587,624	5,472,881	10,060,505
3.2.1.1. Forward Foreign Currency Buy Transactions		2,456,254	2,105,382	4,561,636	3,306,856	1,737,497	5,044,353
3.2.1.2. Forward Foreign Currency Sell Transactions		1,175,009	3,413,549	4,588,558	1,280,768	3,735,384	5,016,152
3.2.2. Currency and Interest Rate Swaps		17,732,945	44,310,130	62,043,075	11,365,854	31,614,867	42,980,721
3.2.2.1. Currency Swap Buy Transactions		5,244,998	15,052,183	20,297,181	1,123,113	7,811,818	8,934,931
3.2.2.2. Currency Swap Sell Transactions		8,702,379	11,270,075	19,972,454	3,054,741	5,190,493	8,245,234
3.2.2.3. Interest Rate Swap Buy Transactions		1,892,784	8,993,936	10,886,720	3,594,000	9,306,278	12,900,278
3.2.2.4. Interest Rate Swap Sell Transactions		1,892,784	8,993,936	10,886,720	3,594,000	9,306,278	12,900,278
3.2.3. Currency, Interest Rate and Security Options		3,104,778	8,590,476	11,695,254	2,525,134	7,463,218	9,988,352
3.2.3.1. Currency Call Options		1,520,789	3,034,751	4,555,540	1,415,580	2,298,340	3,713,920
3.2.3.2. Currency Put Options		1,463,989	3,100,255	4,564,244	989,554	2,708,886	3,698,440

III. Unconsolidated Statement of Off-Balance Sheet Items

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSAND TL					
			CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
3.2.3.3	Interest Rate Call Options		60,000	1,227,735	1,287,735	60,000	1,227,996	1,287,996
3.2.3.4	Interest Rate Put Options		60,000	1,227,735	1,287,735	60,000	1,227,996	1,287,996
3.2.3.5	Securities Call Options		-	-	-	-	-	-
3.2.3.6	Securities Put Options		-	-	-	-	-	-
3.2.4	Currency Futures		358	-	358	-	-	-
3.2.4.1	Currency Buy Futures		-	-	-	-	-	-
3.2.4.2	Currency Sell Futures		358	-	358	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Buy Futures		-	-	-	-	-	-
3.2.5.2	Interest Rate Sell Futures		-	-	-	-	-	-
3.2.6	Other		-	438,254	438,254	2,200	420,430	422,630
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			193,510,213	77,377,230	270,887,443	160,107,876	44,004,570	204,112,446
IV.	ITEMS HELD IN CUSTODY		49,695,774	9,890,096	59,585,870	45,042,294	7,648,546	52,690,840
4.1.	Customers' securities held		-	-	-	-	-	-
4.2.	Investment securities held in custody		32,722,340	134,226	32,856,566	30,488,698	44,824	30,533,522
4.3.	Cheques received for collection		13,321,784	3,547,479	16,869,263	11,296,787	2,367,371	13,664,158
4.4.	Commercial notes received for collection		2,423,688	4,572,093	6,995,781	2,054,097	3,393,443	5,447,540
4.5.	Other assets received for collection		12,832	37,853	50,685	4,352	32,246	36,598
4.6.	Assets received for public offering		2,541	-	2,541	2,541	-	2,541
4.7.	Other items under custody		1,212,589	1,598,445	2,811,034	1,195,195	1,810,597	3,005,792
4.8.	Custodians		-	-	-	624	65	689
V.	PLEDGED ITEMS		143,814,439	67,487,134	211,301,573	115,065,582	36,356,024	151,421,606
5.1.	Marketable securities		3,798,677	-	3,798,677	1,866,264	-	1,866,264
5.2.	Guarantee notes		3,929,544	6,850,390	10,779,934	3,810,275	5,608,008	9,418,283
5.3.	Commodity		37,367,678	9,148,271	46,515,949	29,745,612	2,176,075	31,921,687
5.4.	Warranty		-	-	-	-	-	-
5.5.	Real Estates		94,867,501	50,094,299	144,961,800	77,086,299	28,325,120	105,411,419
5.6.	Other pledged items		3,851,039	1,394,174	5,245,213	2,557,132	199,614	2,756,746
5.7.	Pledged items-depository		-	-	-	-	47,207	47,207
VI.	ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			267,183,640	172,348,117	439,531,757	220,586,425	112,748,783	333,335,208

TÜRKİYE İŞ BANKASI A.Ş.

IV. Unconsolidated Income Statement

INCOME STATEMENT	Footnotes	THOUSAND TL	
		CURRENT PERIOD (01/01-31/12/2013)	PRIOR PERIOD (01/01-31/12/2012)
I. INTEREST INCOME	V-IV-a	13,460,682	13,390,415
1.1 Interest Income on Loans		10,379,513	9,685,519
1.2 Interest Income on Reserve Deposits		-	-
1.3 Interest Income on Banks		8,190	12,284
1.4 Interest Income on Money Market Placements		167	407
1.5 Interest Income on Marketable Securities Portfolio		3,031,035	3,650,118
1.5.1 Financial Assets Held for Trading		21,460	62,266
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Financial Assets Available for Sale		1,783,152	2,064,650
1.5.4 Held to Maturity Investments		1,226,423	1,523,202
1.6 Finance Lease Income		-	-
1.7 Other Interest Income		41,777	42,087
II. INTEREST EXPENSE	V-IV-b	6,805,252	7,462,498
2.1 Interest on Deposits		4,854,411	5,469,527
2.2 Interest on Funds Borrowed		338,799	259,778
2.3 Interest on Money Market Funds		946,292	1,221,163
2.4 Interest on Securities Issued		584,757	438,540
2.5 Other Interest Expense		80,993	73,490
III. NET INTEREST INCOME/EXPENSE (I - II)		6,655,430	5,927,917
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,919,086	1,706,227
4.1 Fees and Commissions Received		2,150,697	1,918,597
4.1.1 Non-cash Loans		227,450	183,830
4.1.2 Other		1,923,247	1,734,767
4.2 Fees and Commissions Paid		231,611	212,370
4.2.1 Non-cash Loans		973	993
4.2.2 Other		230,638	211,377
V. DIVIDEND INCOME	V-IV-c	450,312	417,703
VI. TRADING INCOME/LOSS (NET)	V-IV-d	223,266	590,390
6.1 Gains/Losses on Securities Trading		155,651	617,560
6.2 Derivative Financial Transactions Gains/Losses		(249,394)	(483,135)
6.3 Foreign Exchange Gains/Losses		317,009	455,965
VII. OTHER OPERATING INCOME	V-IV-e	1,038,142	1,172,144
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		10,286,236	9,814,381
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-f	1,467,018	1,209,122
X. OTHER OPERATING EXPENSES (-)	V-IV-g	4,962,519	4,484,306
XI. NET OPERATING INCOME (VIII-IX-X)		3,856,699	4,120,953
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV. NET MONETARY POSITION GAIN/LOSS		-	-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	V-IV-h	3,856,699	4,120,953
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-i	693,334	810,646
16.1 Current Tax Provision		363,860	1,117,517
16.2 Deferred Tax Provision		329,474	(306,871)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-j	3,163,365	3,310,307
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on Assets Held for Sale		-	-
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
18.3 Other Income on Discontinued Operations		-	-
XIX. EXPENSE ON DISCONTINUED OPERATIONS(-)		-	-
19.1 Expense on Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
19.3 Other Expense on Discontinued Operations		-	-
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current Tax Provision		-	-
21.2 Deferred Tax Provision		-	-
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)	V-IV-k	3,163,365	3,310,307
Earnings per Share (in full TL)		0.028118238	0.029424363

V. Unconsolidated Statement of Income and Expense Items Accounted Under Shareholders' Equity

INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		THOUSAND TL	
		CURRENT PERIOD (01/01-31/12/2013)	PRIOR PERIOD (01/01-31/12/2012)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	(1,892,943)	1,427,594
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	41,777	(103,121)
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VII.	THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	-	-
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	(66,575)	997,530
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	273,566	(200,993)
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(1,644,175)	2,121,010
XI.	PROFIT/LOSS FOR THE PERIOD	3,163,365	3,310,307
1.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	(53,993)	(21,631)
1.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	-	-
1.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	-	-
1.4	Other	3,217,358	3,331,938
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	1,519,190	5,431,317

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VI. Unconsolidated Statement of Changes in Shareholders' Equity

CHANGES IN SHAREHOLDERS' EQUITY		Footnotes V-V	Paid-in Capital	Paid-in Capital Inflation Adjustment	Paid-in Capital Premium	Share Cancellation Profits	Legal Reserves
PRIOR PERIOD (31/12/2012)							
I.	Beginning Balance		4,500,000	1,615,938	3,694	-	1,646,564
II.	Corrections Made According to TAS 8		-	-	-	-	-
2.1	The Effect of Corrections of Errors		-	-	-	-	-
2.2	The Effect of Changes in Accounting Policies		-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		4,500,000	1,615,938	3,694	-	1,646,564
Changes During the Period							
IV.	Increase/Decrease Due to Mergers		-	-	-	-	-
V.	Marketable Securities Value Increase Fund		-	-	-	-	-
VI.	Hedge Reserves (Effective Portion)		-	-	-	-	-
6.1	Cash Flow Hedges		-	-	-	-	-
6.2	Net Foreign Investment Hedges		-	-	-	-	-
VII.	Revaluation Surplus on Tangible Assets		-	-	-	-	-
VIII.	Revaluation Surplus on Intangible Assets		-	-	-	-	-
Bonus Shares from Associates, Subsidiaries and Jointly Controlled			-	-	-	-	-
IX.	Entities (Joint Ventures)		-	-	-	-	-
X.	Translation Differences		-	-	-	-	-
XI.	The Effect of Disposal of Assets		-	-	-	-	-
XII.	The Effect of Reclassification of Assets		-	-	-	-	-
The Effect of Changes in the Equity of Subsidiaries on the Equity of the			-	-	-	-	-
XIII.	Bank		-	-	-	-	-
XIV.	Capital Increase		-	-	-	-	-
14.1	Cash		-	-	-	-	-
14.2	Internal Sources		-	-	-	-	-
XV.	Share Issue		-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-
XVII.	Paid-in-Capital Inflation Adjustment		-	-	-	-	-
XVIII.	Other		-	-	-	-	-
XIX.	Net Profit/(Loss)		-	-	-	-	-
XX.	Profit Distribution		-	-	-	-	169,931
20.1	Dividend Paid		-	-	-	-	-
20.2	Transfer to Reserves		-	-	-	-	169,931
20.3	Other		-	-	-	-	-
Ending Balance (III+IV+V...+XVIII+XIX+XX)			4,500,000	1,615,938	3,694	-	1,816,495
CURRENT PERIOD (31/12/2013)							
I.	Beginning Balance		4,500,000	1,615,938	3,694	-	1,816,495
Changes During the Period							
II.	Increase/Decrease Due to Mergers		-	-	-	-	-
III.	Marketable Securities Value Increase Fund		-	-	-	-	-
IV.	Hedge Reserves (Effective Portion)		-	-	-	-	-
4.1	Cash Flow Hedges		-	-	-	-	-
4.2	Net Foreign Investment Hedges		-	-	-	-	-
V.	Revaluation Surplus on Tangible Assets		-	-	-	-	-
VI.	Revaluation Surplus on Intangible Assets		-	-	-	-	-
Bonus Shares from Associates, Subsidiaries and Jointly Controlled			-	-	-	-	-
VII.	Entities (Joint Ventures)		-	-	-	-	-
VIII.	Translation Differences		-	-	-	-	-
IX.	The Effect of Disposal of Assets		-	-	-	-	-
X.	The Effect of Reclassification of Assets		-	-	-	-	-
The Effect of Changes in the Equity of Subsidiaries on the Equity of the			-	-	-	-	-
XI.	Bank		-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-
12.1	Cash		-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-
XIII.	Share Issue		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Paid-in-Capital Inflation Adjustment		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit/Loss for the Period		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	228,335
18.1	Dividend Paid		-	-	-	-	-
18.2	Transfer to Reserves		-	-	-	-	228,335
18.3	Other ^(*)		-	-	-	-	-
Ending Balance (I+II+III...+XVI+XVII+XVIII)			4,500,000	1,615,938	3,694	-	2,044,830

(*) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution in 2012 within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

TÜRKİYE İŞ BANKASI A.Ş.

VI. Unconsolidated Statement of Changes in Shareholders' Equity

THOUSAND TL											
Statutory Reserves	Extraordinary Reserves	Other Reserves	Net Current Period Profit / (Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Reserve on Asset Held for Sale and Discontinued Oper.	Total Shareholder's Equity	
-	5,890,766	89,767	-	2,667,487	1,480,456	-	26,692	-	-	17,921,364	-
-	-	-	-	-	-	-	-	-	-	-	-
-	5,890,766	89,767	-	2,667,487	1,480,456	-	26,692	-	-	17,921,364	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,224,131	-	-	-	-	2,224,131	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	(103,121)	-	-	-	-	-	-	-	(103,121)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	3,310,307	-	-	-	-	-	-	3,310,307	-
-	1,863,920	-	-	(2,667,487)	-	-	-	-	-	(633,636)	-
-	1,863,920	-	-	(633,636)	-	-	-	-	-	(633,636)	-
-	-	-	-	(2,033,851)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	7,754,686	(13,354)	3,310,307	-	3,704,587	-	26,692	-	-	22,719,045	-
-	7,754,686	(13,354)	3,310,307	3,310,307	3,704,587	-	26,692	-	-	22,719,045	-
-	-	-	-	-	(1,718,889)	-	-	-	-	(1,718,889)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	41,777	-	-	-	-	-	-	-	41,777	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	32,937	-	-	-	-	-	-	-	32,937	-
-	2,422,854	-	3,163,365	(3,310,307)	-	-	-	-	-	3,163,365	-
-	2,285,354	-	-	(796,618)	-	-	-	-	-	(796,618)	-
-	137,500	-	-	(2,513,689)	-	-	-	-	-	(2,513,689)	-
-	-	-	-	-	-	-	-	-	-	137,500	-
-	10,177,540	61,360	3,163,365	-	1,985,698	-	26,692	-	-	23,579,117	-

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VII. Unconsolidated Statement of Cash Flows

		THOUSAND TL	
		Footnotes	
			CURRENT PERIOD (01/01-31/12/2013)
			PRIOR PERIOD (01/01-31/12/2012)
A.	CASH FLOWS FROM BANKING OPERATIONS	V - VI	
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		5,242,758
1.1.1	Interest Received		13,274,692
1.1.2	Interest Paid		(6,778,433)
1.1.3	Dividend Received		163,755
1.1.4	Fees and Commissions Received		2,150,697
1.1.5	Other Income		534,289
1.1.6	Collections from Previously Written Off Loans and Other Receivables		950,275
1.1.7	Cash Payments to Personnel and Service Suppliers		(3,638,746)
1.1.8	Taxes Paid		(777,636)
1.1.9	Other		(1,130,680)
1.2	Changes in Operating Assets and Liabilities		(5,712,966)
1.2.1	Net (Increase) Decrease in Financial Assets Held for Trading		(148,595)
1.2.2	Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-
1.2.3	Net (Increase) Decrease in Due From Banks		(3,575,370)
1.2.4	Net (Increase) Decrease in Loans		(20,912,984)
1.2.5	Net (Increase) Decrease in Other Assets		(109,096)
1.2.6	Net Increase (Decrease) in Bank Deposits		499,201
1.2.7	Net Increase (Decrease) in Other Deposits		8,296,289
1.2.8	Net Increase (Decrease) in Funds Borrowed		3,000,768
1.2.9	Net Increase (Decrease) in Matured Payables		-
1.2.10	Net Increase (Decrease) in Other Liabilities		7,236,821
I.	Net Cash Provided From Banking Operations		(470,208)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from/Used in Investing Activities		6,300
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(54,456)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		214,325
2.3	Tangible Asset Purchases		(206,604)
2.4	Tangible Asset Sales		211,624
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(11,774,295)
2.6	Cash Obtained from Sales of Financial Assets Available for Sale		8,900,633
2.7	Cash Paid for Purchase of Investment Securities Held to Maturity		(24,953)
2.8	Cash Obtained from Sales of Investment Securities Held to Maturity		2,926,786
2.9	Other		(186,760)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from/Used in Financing Activities		3,464,202
3.1	Cash Obtained from Funds Borrowed and Securities Issued		14,318,219
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(10,057,399)
3.3	Equity Instruments		-
3.4	Dividends Paid		(796,618)
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		595,762
V.	Net Increase/(Decrease) in Cash and Cash Equivalents		3,596,056
VI.	Cash and Cash Equivalents at Beginning of the Period		6,011,943
VII.	Cash and Cash Equivalents at End of the Period		9,607,999

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VIII. Statement of Profit Distribution Table

		THOUSAND TL	
		CURRENT PERIOD (31/12/2013)	PRIOR PERIOD (31/12/2012)
I.	DISTRIBUTION OF CURRENT YEAR PROFIT ⁽¹⁾		
1.1	CURRENT PERIOD PROFIT ⁽²⁾	3,856,699	4,258,453
1.2	TAXES AND DUES PAYABLE (-)	693,334	810,646
1.2.1	Corporate Tax (Income Tax)	357,885	1,111,381
1.2.2	Income Tax Withholding	5,975	6,136
1.2.3	Other Taxes and Dues Payable ⁽³⁾	329,474	(306,871)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	3,163,365	3,447,807
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	171,173
1.5	OTHER STATUTORY RESERVES (-)	-	2,357,989
B.	NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5))]	3,163,365	918,645
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	270,000
1.6.1	To Owners of Ordinary Shares	-	269,998
1.6.2	To Owners of Preferred Shares	-	2
1.6.3	To Preferred Shares (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit/Loss Share Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	129,729
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	1,621
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	395,268
1.9.1	To Owners of Ordinary Shares	-	395,261
1.9.2	To Owners of Preferred Shares	-	3
1.9.3	To Preferred Shares (Preemptive Rights)	-	4
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit/Loss Share Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	57,162
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	64,865
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Shares	-	-
2.3.3	To Preferred Shares (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit/Loss Share Certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARE ⁽⁴⁾	0.0281	0.0294
3.2	TO OWNERS OF ORDINARY SHARES (%)	70	74
3.3	TO OWNERS OF PREFERRED SHARES ⁽⁴⁾	-	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES ⁽⁴⁾	-	0.0059
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	15
4.3	TO OWNERS OF PREFERRED SHARES ⁽⁴⁾	-	0.0017
4.4	TO OWNERS OF PREFERRED SHARES (%)	-	17

⁽¹⁾ The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

⁽²⁾ TL 137,500 is added distribution tax base for 2012 which is provision provided for employee dividend distribution in 2012 within the scope of "TAS 19-Employee Benefits", has been added to prior period net profit/loss.

⁽³⁾ The amount of current year is Deferred Tax Expense, the amount of prior period is Deferred Tax Income.

⁽⁴⁾ Expressed in full TL

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

SECTION THREE: EXPLANATIONS ON ACCOUNTING POLICIES

1. Basis of Presentation

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") (Together TMS); and "Regulation on Accounting Applications for Banks and Safeguarding of 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 financial statements are expressed in detail below.

2. 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 interim financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying interim financial statements. Accordingly, the accompanying interim 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. Strategy for Use of Financial Instruments and Foreign Currency Transactions

1. The Bank's Strategy on Financial Instruments

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

In conformity with the general liability structure of the banking system, the Bank's liabilities are mainly composed of short-term deposits and other medium and long-term liabilities. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey ("CBT"). As a result, the liquidity of the Bank and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the sectoral developments and the yields of alternative investment instruments, fixed and floating rate placements are made.

Safety principle has always been the top priority in placements and the placements are focused on high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy aiming at high return is implemented in the long-term placements and attention is paid to the maximum use of non-interest income generation opportunities. The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, currency and credit risks. Furthermore, in conformity with this strategy, the Bank acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

2. Foreign Currency Transactions

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

In accordance with "TAS 21-Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted into Turkish Currency at the currency rates at the transaction date, and also in accordance with "TAS 29-Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements. Assets and liabilities of the foreign branches of the Bank are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Associates and Subsidiaries

Investments in associates and subsidiaries are recognized within the scope of "TAS 39-Financial Instruments: Recognition and Measurement". Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment losses.

IV. Forward and Option Contracts and Derivatives Instruments

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

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising from these transactions are followed under off-balance sheet accounts. Derivative transactions are measured at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. 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. The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On off-balance sheet items table, options which generated assets for the Bank are presented under "call options" line and which generated liabilities are presented under "put options" line.

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.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

VI. Fees and Commission Income and Expenses

Fees and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income earned in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recognized in income accounts in the period of collection.

VII. Financial Assets

Financial assets are comprised of cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty, or the capital instrument transactions of the counterparty. According to the Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Held to Maturity Investments" and "Loans and Receivables".

1. Cash and Banks

Cash consists of cash in vault, foreign currency cash, money in transit, cheques purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted into TL at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial Assets Held For Trading is presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and "amortized cost", calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are recognized under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is recognized in the "Gains on Securities Trading" account. If the fair value is less than the amortized cost, the negative difference is recognized under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

a.2. Financial Assets at Fair Value through Profit and Loss

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

b. Explanations on Financial Assets Available for Sale and Held to Maturity Investments

b.1. Explanations on Financial Assets Available for Sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, held to maturity investments 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 recognized 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.

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b.2. Explanations on Held to Maturity Investments

Held to maturity investments 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.

Held to maturity investments 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 held to maturity investments are recognized in the income statement as an interest income.

There are no financial assets that are classified by the Bank as held to maturity investments, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. 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.

Retail and corporate loans that are followed under cash loans are recognized at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

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.

VIII. Impairment of Financial Assets

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

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

Impairment losses attributable to the held to maturity investments 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.

Loans are classified and followed in line with the provisions of the "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", published on the Official Gazette numbered 26333 dated 1 November 2006. Within the scope of the relevant legislation the Parent Bank was allocating specific provision for the non-performing loans and other receivables, the Parent Bank calculated to allocate specific provisions in accordance with mentioned the minimum provision rates. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

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.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

IX. Offsetting Financial Instruments

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. Sale and Repurchase Agreements and Securities Lending Transactions

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

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

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

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

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. Assets held for sale are not amortized or depreciated and presented in the financial statements separately. 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. Goodwill and Other Intangible Assets

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

The Bank's intangible assets are composed of software programs. The purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 - Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

The related assets are amortized by the straight-line method in 1-3 years. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 - Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

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The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets held under finance lease are depreciated over the expected useful life or lease term, whichever is the shorter for the specified period.

Leasehold improvements are amortized in equal amounts considering their useful life. However, in any case the useful life cannot exceed leasing term. When the lease period is not certain, or longer than 5 years, the amortization period is recognized as 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible assets are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2%-25%
Safe Boxes	2-50	2%-50%
Other Movables	2-25	4%-50%
Leased Assets	4-5	20%-25%

XIV. 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 portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Bank's general borrowing policy, financial expenses are recognized in the income statement. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

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

XV. Provisions and Contingent Liabilities

As of the end of the reporting period, A past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists, the entity recognizes a provision in the financial statements. As of the end of the reporting period where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

XVI. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of "TAS 19-Employee Benefits", the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. According to revised TAS 19, the actuarial gains and losses occurred after 1 January 2013 is recognized under equity. The Bank also allocates provision for the unused paid vacation.

2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund"), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Act, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, numbered E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and numbered 26479 and the execution decision was ceased as of the issuance date of the related decision.

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 "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 after that related transfer period has been prolonged for one more year by the Cabinet decision dated 8 April 2013, which was published on the Official Gazette dated 3 May 2013 and numbered 28636.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned Law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,

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- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank had an actuarial valuation made which is actual and technical actuarial report dated 10 January 2014 in the amount specified in the corresponding place has given for the aforementioned pension fund as of 31 December 2013. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-i.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank.

XVIII. Taxation

1. Corporate Tax:

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the year ended 2013 will be paid in February 2014 and will be offset with the current period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax charge. Current period 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. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

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. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities are shown in financial tables by way of offsetting.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies 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 the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate earnings are subject to 23% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

Bahrain

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

The Republic of Iraq (Iraq)

Corporate earnings are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest. The corporate tax rate is 15% and the balance sheet must be presented to the tax office until the end of June of the following year and accrued taxes must be paid. On the other hand, Tax Administrations Regional Government in Northern Iraq can recognise the fixed tax except signified rates.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Income tax has to be paid until the beginning of April of the following year. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, July, October and January of the current year and the 15th day of January of the following year by four installments. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities

4. Transfer Pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

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According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/ corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XIX. Borrowings

The Bank resorts to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XX. Equity Shares and Issuance of Equity Securities

Share issuance related to costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Bank's earnings per share calculations taking place in the income statement are as follows:

	Current Period	Prior Period
Profit attributable to shareholders	3,163,365	3,310,307
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share - in exact TL	0.028118238	0.029424363

XXI. Bank Acceptances and Bills of Guarantee

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.

XXII. Government Incentives

There are no government incentives utilized by the Bank, during the current or prior accounting periods.

XXIII. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Bank's business segmentation and related information is explained in Section Four Note XV.

XXIV. Other Disclosures

To adapt to the financial statements 31 December 2013, reclassifications have been made on the off-balance sheet on 31 December 2012.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION OF THE BANK

I. Explanations on Capital Adequacy Standard Ratio

The capital adequacy of the Bank is 14.38% (31 December 2012: 16.33%). Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette numbered 28337 dated 28 June 2012, effectiveness date is 1 July 2012, and the calculations are made according to "Regulation on Equities of Banks" published in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital of the credit risk, the market risk and the operational risk. The amount subject to credit risk on balance sheet assets and non-cash loans, commitments and types of derivative financial instruments, risk classes and ratings of risk weights are evaluated by taking into account the relevant legislation.

The amount subject to credit risk for non-cash loans and commitments 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" after deducting specific provision amount which is calculated from the article of "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 dated 1 November 2006. The items, which are considered as deductions from capital amount, are not considered in the calculation of capital requirement of credit risk.

Such financial assets, liabilities and off-balance sheet transactions are classified in two separate portfolio as "trading accounts" and "banking accounts" in accordance with the legal regulations and the Bank's internal risk policies. Actively traded asset on balance sheet, derivative transactions held for trading, and trading accounts comprising foreign currency positions are used in calculation of market risk according to the Standard Method by the Bank. Financial instruments and non-financial assets which are excluded from trading book and classified as banking book are subject to calculation of credit risk.

In the calculation of the Bank's operational risk, "Basic Indicator Method" is used

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Information related to capital adequacy ratio:

Value at Credit Risk	Risk Weights									
	Bank Only									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Risk Groups										
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	51,586,757			7,035,311		341,208				
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government			16,352	42,445		2				
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						211,846				
Contingent and Non-Contingent Receivables from Multilateral Development Banks	1,121									
Contingent and Non-Contingent Receivables from International Organizations										
Contingent and Non-Contingent Receivables from Banks and Intermediaries	435,838		3,263,247	4,003,876		139,060	58			
Contingent and Non-Contingent Corporate Receivables			257,106	2,528,801		91,507,548				
Contingent and Non-Contingent Retail Receivables			12	5,466	35,004,914	3,067,376				
Contingent and Non-Contingent Receivables Secured by Residential Property				11,245,721						
Non-Performing Receivables ⁽¹⁾						437,647				
Receivables are identified as high risk by the Board							3,208,546	12,031,089	148,946	
Secured Marketable Securities										
Securitization Positions										
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries										
Investments as Collective Investment Institutions						359,208				
Other Receivables	2,219,811		6			10,584,715				

⁽¹⁾In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

Summary information about the Bank only standard capital adequacy ratio:

	Current Period	Prior Period
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	14,023,032	10,945,847
Capital Requirement for Market Risk (CRMR)	410,935	281,182
Capital Requirement for Operational Risk (CROR)	971,452	894,118
Equity	27,689,806	24,739,690
Equity/((CRCR+CRMR+CROR)*12.5*100)	14.38	16.33

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Information about the components of equity items:

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	4,500,000	4,500,000
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	3,694	3,694
Share Cancellation Profits		
Reserves	12,013,726	9,312,168
Inflation Adjustments to Reserves		
Profit	3,163,365	3,310,307
Net Current Period's Profit	3,163,365	3,310,307
Prior Periods' Profit		
Provision for Possible Losses (up to 25% of the Core Capital)	1,000,000	1,000,000
Gain on Sale of Associates, Subsidiaries and Real Estates	270,004	245,659
Primary Subordinated Debt		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements on Operational Leases (-)	105,877	116,974
Intangible Assets (-)	195,959	104,907
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of the Article 56 of the Banking Law (-)		
Total Core Capital	22,264,891	19,765,885
SUPPLEMENTARY CAPITAL		
General Loan Loss Provision	1,972,588	1,613,677
45% of Revaluation Surplus on Movables		
45% of Revaluation Surplus on Immovable		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures) not recognized in Current Period's Profit	26,692	26,692
Primary Subordinated Debt Excluding the Portion included in the Core Capital		
Secondary Subordinated Debt	2,957,500	1,785,000
45% of Marketable Securities and Investment Securities Value Increase Fund ⁽¹⁾	545,459	1,667,064
Inflation Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)		
Total Supplementary Capital	5,502,239	5,092,433
CAPITAL	27,751,130	24,858,318
DEDUCTIONS FROM THE CAPITAL	77,324	118,628
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above		
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the Bank		
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan		
Loans extended being noncompliant with articles 50 and 51 of the Law	2,586	1,448
Net book values of properties owned, exceeding 50% of Banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	54,196	75,269
Securitization positions deducted from equity		
Others ⁽²⁾	20,542	41,911
TOTAL SHAREHOLDERS' EQUITY	27,673,806	24,739,690

⁽¹⁾ According to the related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance; total amount, and if positive 45% of the balance is taken into consideration in supplementary capital calculation.

⁽²⁾ It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and numbered 3980, published on the Official Gazette dated 18 December 2010 and numbered 27789.

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Information on the Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities:

On-balance sheet and off-balance sheet financial risks and activities arising from financial assets and liabilities, against damage caused by exposure to financial risk that are necessary to determine the level of capital and the determined level, taking into consideration the specified minimum levels of statutory and internal continuity of the supply and monitoring process "Capital Adequacy Policy" implemented within the framework by the Bank.

Capital adequacy level is; monitored and analyzed taking into consideration the possible changes on economic conjuncture, risk factors, balance sheet structure and size, profitability and, the dividend policy by the Bank. As for the level of capital adequacy with a view to a forward-looking analysis and projection studies affect the Bank's planning and decision processes.

Internal capital adequacy assessment process covers determining the risks to an internal perspective which are faced by the Bank and also covers the necessary capital amount against the risks and evaluation within the framework of the principles and methods. This process contains the assessments of capital adequacy under normal conditions with the evaluation of working under stress conditions.

During the assessment of the Bank's internal capital adequacy; in addition to credit risk, market risk and operational risk, considered to be important by the Bank and for the other quantifiable risks, there are generally accepted methods of calculating capital requirements.

II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Bank's Risk Group, including the Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Utmost importance is given to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

Non-performing and impaired loans has classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

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Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Exposure Categories ⁽¹⁾	Current Period Risk Amount	Average Risk Amount ⁽²⁾
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	58,963,276	55,943,867
Conditional and unconditional exposures to regional governments or local authorities	58,799	63,238
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	211,846	278,323
Conditional and unconditional exposures to multilateral development banks	1,121	1,211
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	7,842,079	9,148,821
Conditional and unconditional exposures to corporates	94,293,455	86,420,766
Conditional and unconditional retail exposures	38,077,768	37,597,580
Conditional and unconditional exposures secured by real estate property	11,245,721	10,701,655
Past due items	437,647	476,581
Items in regulatory high-risk categories	15,388,581	12,263,137
Exposures in the form of bonds secured by mortgages		
Securitization positions		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	359,208	367,761
Other items	12,804,532	12,713,799

⁽¹⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

⁽²⁾ Average risk amounts are the arithmetical average of the amounts in quarterly reports prepared.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic market in this particular area, the Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned accordingly.

6. (i) The share of the Bank's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 21%, 28%, respectively (31.12.2012: 22%, 29%).

(ii) The share of the Bank's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 46%, 57% respectively (31.12.2012: 44%, 55%).

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(iii) The share of the Bank's cash and non-cash receivables from the top 100 and 200 loan customers in the overall cash and non-cash loans stands at 16%, 21%, respectively (31.12.2012: 15%, 20%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk stands at TL 1,972,588.

8. The Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	49.38%	51.46%
Standard	37.02%	33.83%
Below Standard	4.71%	5.99%
Not Rated/Scored	8.89%	8.72%

The table data comprises behavior rating/scoring results

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	582,828	582,828	574,296	574,296
Vehicle Pledge	109,493	109,493	140,164	140,164
Cash Collateral (Cash, securities pledge, etc.)	10,645	10,645	19,074	19,074
Pledge on Wages	185,229	185,229	126,458	126,458
Cheques & Notes	40,562	40,562	30,673	30,673
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	308,302	308,302	173,691	173,691
Non-collateralized		847,602		827,175
Total	1,237,059	2,084,661	1,064,356	1,891,531

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	354,879	354,879	417,804	417,804
Cash Collateral	157	157	36	36
Vehicle Pledge	53,749	53,749	59,204	59,204
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	23,247	23,247	30,474	30,474

⁽¹⁾The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

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11. The aging analysis of the loans past due but not impaired is as follows:

Current Period ⁽¹⁾	1-30 Days ⁽²⁾	31-60 Days ⁽³⁾	61-90 Days ⁽³⁾	Total
Loans				
Corporate/Commercial Loans	197,912	43,257	21,287	262,456
Consumer Loans	81,125	29,178	13,501	123,804
Credit Cards	499,098	118,302	53,962	671,362
Total	778,135	190,737	88,750	1,057,622

⁽¹⁾ The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 1,292,022.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 393,028 and TL 705,078 respectively.

⁽³⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 213,285 and TL 299,867 respectively.

Prior Period ⁽¹⁾	1-30 Days ⁽²⁾	31-60 Days ⁽³⁾	61-90 Days ⁽³⁾	Total
Loans				
Corporate/Commercial Loans	336,684	20,916	21,316	378,916
Consumer Loans	67,281	27,038	11,860	106,179
Credit Cards	421,829	115,243	48,273	585,345
Total	825,794	163,197	81,449	1,070,440

⁽¹⁾ The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 1,170,546.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 405,363 and TL 586,342 respectively.

⁽³⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 218,097 and TL 258,242 respectively.

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12. Profile of significant exposures in major regions

Current Period	Domestic	European Union	OECD Countries ⁽¹⁾	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Undistributed Assets/Liabilities ⁽²⁾	Total
Risk Groups									
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	58,963,276								58,963,276
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	58,799								58,799
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	211,837					9			211,846
Contingent and Non-Contingent Receivables from Multilateral Development Banks	106	1,015							1,121
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	4,824,620	2,713,392	101,838		20,339	181,890			7,842,079
Contingent and Non-Contingent Corporate Receivables	92,174,171	765,401	1,194	21,954	8,649	1,322,086			94,293,455
Contingent and Non-Contingent Retail Receivables	37,582,266	32,228	1,384	25	1,174	460,691			38,077,768
Contingent and Non-Contingent Receivables Secured by Residential Property	11,153,523	26,787	3,692		2,164	59,555			11,245,721
Non-Performing Receivables	437,510	58	8	3	1	67			437,647
Receivables are identified as high risk by the Board	15,179,195	12,968	1,304	1	755	194,358			15,388,581
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions							359,208		359,208
Other Receivables	5,402,969						7,401,563		12,804,532
Total	225,988,272	3,551,849	109,420	21,983	33,082	2,218,656	7,760,771		239,684,033

⁽¹⁾ EU Countries, USA and Canada except the OECD Countries

⁽²⁾ Assets and liabilities are allocated on a consistent basis

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

13. Risk profile by sectors or counterparties:

Current Period									
Bank									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sectors/Counterparty									
Agricultural		671	86				777,529	1,226,168	69,564
Farming and Raising									
Livestock		671	86				421,056	1,021,430	61,575
Forestry							96,323	162,470	5,154
Fishing							260,150	42,268	2,835
Industry		220	62,376				39,743,917	5,199,342	270,680
Mining		5					1,105,104	222,364	6,955
Production			32				27,128,029	4,859,214	257,079
Electricity, gas, and water		215	62,344				11,510,784	117,764	6,646
Construction			1				11,213,902	2,781,823	136,544
Services	22,436,980	291	145,849	1,121		7,777,910	41,915,499	16,259,680	1,970,804
Wholesale and Retail									
Trade		15	100			4	16,496,535	9,326,120	488,389
Hotel, Food and Beverage			8				3,125,403	659,397	73,689
Services									
Transportation and			152				6,794,098	3,283,053	199,994
Telecommunication									
Financial Institutions	22,436,936		24	1,121		7,722,741	4,516,377	158,489	23,479
Real Estate and Renting			7,630			5	6,863,468	990,242	141,675
Services									
Self-Employment Services	20	274	122,678			55,160	2,820,060	1,250,122	926,555
Education Services	16		3,609				605,588	159,962	35,225
Health and Social Services	8	2	11,648				693,970	432,295	81,798
Other	36,526,296	57,617	3,534			64,169	642,608	12,610,755	8,798,129
Total	58,963,276	58,799	211,846	1,121		7,842,079	94,293,455	38,077,768	11,245,721

⁽¹⁾ Contingent and non-contingent exposures to central governments or central banks

⁽²⁾ Contingent and non-contingent exposures to regional governments or local authorities

⁽³⁾ Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings

⁽⁴⁾ Contingent and non-contingent exposures to multilateral development banks

⁽⁵⁾ Contingent and non-contingent exposures to international organizations

⁽⁶⁾ Contingent and non-contingent exposures to banks and brokerage houses

⁽⁷⁾ Contingent and non-contingent corporate receivables

⁽⁸⁾ Contingent and non-contingent retail receivables

⁽⁹⁾ Contingent and non-contingent exposures secured by real estate property

⁽¹⁰⁾ Past due items

⁽¹¹⁾ Items in regulatory high-risk categories

⁽¹²⁾ Exposures in the form of bonds secured by mortgages

⁽¹³⁾ Securitization positions

⁽¹⁴⁾ Short term exposures to banks, brokerage houses and corporates

⁽¹⁵⁾ Exposures in the form of collective investment undertakings

⁽¹⁶⁾ Other items

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	(10)	(11)	(12)	(13)	(14)	(15)	(16)	TL	FC	Total
	7,548	82,174						1,817,869	345,871	2,163,740
	5,757	75,493						1,527,408	58,660	1,586,068
	1,371	4,405						204,721	65,002	269,723
	420	2,276						85,740	222,209	307,949
	53,208	136,677						16,261,011	29,205,409	45,466,420
	1,148	8,160						524,237	819,499	1,343,736
	51,531	124,065						14,245,440	18,174,510	32,419,950
	529	4,452						1,491,334	10,211,400	11,702,734
	32,065	68,500						7,932,960	6,299,875	14,232,835
	111,094	1,259,917						61,873,230	30,005,915	91,879,145
	69,358	288,417						20,544,418	6,124,520	26,668,938
	7,041	50,017						1,364,096	2,551,459	3,915,555
	13,068	134,540						4,895,913	5,528,992	10,424,905
	2,647	17,207						26,310,989	8,568,032	34,879,021
	9,890	102,130						3,183,716	4,931,324	8,115,040
	6,049	588,768						4,189,362	1,580,324	5,769,686
	689	31,057						492,977	343,169	836,146
	2,352	47,781						891,759	378,095	1,269,854
	233,732	13,841,313				359,208	12,804,532	78,432,815	7,509,078	85,941,893
	437,647	15,388,581				359,208	12,804,532	166,317,885	73,366,148	239,684,033

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14. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Groups	Time to Maturity					Total
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,394,391	1,338,452	2,018,261	7,797,315	24,816,699	37,365,118
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	2,066	11,602	2,694	10,840	30,708	57,910
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	5,031	74,266	6,471	9,010	104,225	199,003
The multilateral development banks and non-contingent receivables		102	634	71	314	1,121
Contingent and Non-Contingent Receivables from Banks and Intermediaries	3,393,061	311,061	575,626	344,028	3,020,122	7,643,898
Contingent and Non-Contingent Corporate Receivables	6,892,155	6,888,625	10,208,854	15,198,526	50,679,232	89,867,392
Contingent and Non-Contingent Retail Receivables	7,050,122	4,089,038	4,526,213	6,466,856	7,812,756	29,944,985
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	257,252	387,310	565,844	1,116,546	8,918,769	11,245,721
Receivables are identified as High Risk by the Board	447,964	755,255	1,112,521	3,355,513	9,717,328	15,388,581
Total	19,442,042	13,855,711	19,017,118	34,298,705	105,100,153	191,713,729

15. Information on Risk Classes

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy Of Banks", is based on the Fitch Ratings' international rating with the Banking Regulation and Supervision Board's decision numbered 4577 dated 10 February 2012. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks, type of exchange and remaining maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Assessment of Capital Adequacy of Banks, is given below

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

There is no credit rating and credit export agency has been assigned for the items that are not included to trading accounts.

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Risk Weight	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk Mitigation	54,243,527		3,536,723	24,861,620	35,004,914	106,648,610	3,208,604	12,031,089	148,946		379,160
Amount After Credit Risk Mitigation ⁽¹⁾	54,243,527		3,536,723	24,861,620	35,004,914	106,648,610	3,208,604	12,031,089	148,946		379,160

⁽¹⁾ The effect of credit risk mitigation techniques for the determination of the capital adequacy ratio are excluded

16. Miscellaneous Information According to Type of Counterparty or Major Sectors

Significant Sectors/Counterparty	Loans		Value Adjustment ⁽²⁾	Provisions ⁽³⁾
	Impaired	Non-Performing ⁽¹⁾		
Agricultural	55,477	17,235	362	47,929
Farming and Raising Livestock	45,336	15,648	308	39,579
Forestry	7,621	794	34	6,250
Fishing	2,520	793	20	2,100
Industry	365,631	71,298	2,403	312,423
Mining	22,596	1,887	78	21,448
Production	340,204	68,113	2,166	288,673
Electricity, gas, and water	2,831	1,298	159	2,302
Construction	351,564	43,433	1,436	319,499
Services	581,419	142,564	7,278	470,325
Wholesale and Retail Trade	396,377	68,123	3,113	327,019
Hotel, Food and Beverage Services	27,866	7,835	463	20,825
Transportation and Telecommunication	59,775	21,469	1,858	46,707
Financial Institutions	8,216	339	24	5,569
Real Estate and Renting Services	37,770	34,351	905	27,880
Self-Employment Services	31,947	7,697	523	25,898
Education Services	4,803	1,066	151	4,114
Health and Social Services	14,665	1,684	241	12,313
Other	883,701	783,092	57,790	649,969
Total	2,237,792	1,057,622	69,269	1,800,145

⁽¹⁾ Refers to loans overdue up to 90 days. Related items included in the commercial installment loans and installment consumer loans are given only in the overdue amounts, the payment of these loans outstanding principal amounts of TL 606,313 and TL 1,004,945 respectively.

⁽²⁾ Refers to the general provisions for non-performing loans.

⁽³⁾ Refers to specific provision for impaired loans.

17. Information on Value Adjustments and Change in Credit Provisions:

	Beginning Balance	Provisions	Reversal of Provisions	Other Value Adjustment	Ending Balance
Specific Provisions	1,598,883	833,562	(632,300)		1,800,145
General Provisions	1,613,677	385,633	(26,722)		1,972,588

III. Explanations on Market Risk:

1. Information on Market Risk:

The market risk carried by the Bank is measured by two separate methods known respectively as the Standard Method and the Value at Risk Model in accordance with the local regulations adopted from internationally accepted practices. In this context, currency risk emerges as the most important component of the market risk.

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The market risk measurements are carried out by applying the Standard Method at the end of each month and the results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model (VAR) is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Bank's top management.

The limits set for the market risk management within the framework of the Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out within the context of "Standard Method for Market Risk Measurement" and in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" as at 31 December 2013.

1.a Information on the market risk:

	Amount
(I) Capital Requirement against General Market Risk - Standard Method	39,445
(II) Capital Requirement against Specific Risk - Standard Method	2,766
Capital Requirement Specific Risk Related to Securitization Positions-Standard Method	-
(III) Capital Requirement against Currency Risk - Standard Method	229,510
(IV) Capital Requirement against Commodity Risk - Standard Method	53,138
(V) Capital Requirement against Exchange Risk - Standard Method	678
(VI) Capital Requirement against Market Risk of Options - Standard Method	111
(VII) Capital Requirement against Counterparty Credit Risk-Standard Method	85,287
(VIII) Capital Requirement against Market Risks of Banks Applying Risk Measurement Models	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	410,935
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	5,136,688

1.b Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period			Prior Period ⁽¹⁾		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	38,951	35,383	52,533	27,851	30,814	23,130
Share Certificate Risk	6,645	5,616	5,646	14,486	13,622	15,475
Currency Risk	202,401	285,802	112,206	212,856	234,256	208,179
Commodity Risk	22,407	44,956	24,750	4,719	5,239	1,290
Settlement Risk	603	422	361	406	294	
Options Risk	2,282	762	4,707	1,165	2,274	1,673
Counterparty Credit Risk	46,010	53,272	39,126	33,085	33,041	31,435
Total Value at Risk	3,991,238	5,327,663	2,991,613	3,682,100	3,994,250	3,514,775

⁽¹⁾ As per the legislation on capital adequacy effective from 1 July 2012, due to the calculation of Value At Market Risk methodology, the table is regulated for considering the period after the date of the above-mentioned.

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2. Information on counterparty credit risk

A counterparty credit risk, which is accounts for trading derivatives and repo transactions tracked on both sides, such as the credit risk the liability arising from transactions, is determined by the methodology which is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which is published on the Official Gazette no. 28337 dated 28 June 2012 and became effective starting from 1 July 2007. Counterparty credit risk valuation method based on the calculation of the fair value of the derivative transactions is implemented. The calculation of the amount of risk on derivative transactions, the potential amount of credit risk is positively correlated with the sum of the costs of renewal. The calculation of the amount of the potential credit risk of the contract amount is multiplied by the rates given in the regulation. Derivative instruments valuation based on replacement costs and the fair value of the related contracts are obtained.

The Bank is exposed to counterparty credit risk is managed within the framework of general principles and guarantees the credit limit allocation. Exposure to credit risk of derivative transactions with banks due to the majority of reciprocal agreements signed with related parties are subject to the daily exchange of collateral, counterparty credit risk exposure is reduced in this way. On the other hand, the calculation of capital adequacy under the legislation of counterparty credit risk, the risk-reducing effect of such agreements is not considered.

Within the scope of trading accounts with credit derivatives acquired or disposed of by the Bank does not have any protection.

Quantitative information on counterparty risk (31.12.2013)

	Amount
Interest-Rate Contracts	47,473
Foreign-Exchange-Rate Contracts	415,153
Commodity Contracts	6,988
Equity-Shares Related Contracts	
Other	
Gross Positive Fair Values	1,032,543
Netting Benefits	
Net Current Exposure Amount	
Collaterals Received	
Net Derivative Position	1,502,157

IV. Explanations on Operational Risk

The operational risk capital requirement is calculated according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks' article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations. As of 31.12.2013 the operational risk amount is TL 12,143,145 and information about the calculation is given below.

The information contained in the following table when using the basic indicator method:

	2 PP Amount	1 PP Amount	CP Amount	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	5,520,969	6,225,680	7,682,384	3	15	971,452
Value at operational risk (Total*12.5)						12,143,145

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V. Explanations on Currency Risk

Foreign currency position risk for the Bank is a result of the difference between the Bank's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks within the framework of the limits determined by the "Net Foreign Currency Overall Position/ Shareholders' Equity" ratio which is a part of the legal requirement and limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the Value at Risk Model (VAR) are practiced on a daily basis using the historical and Monte Carlo simulation methods. Scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

Date	USD	EUR
31.12.2013	2.1125	2.9068
30.12.2013	2.0942	2.8931
27.12.2013	2.1090	2.9100
26.12.2013	2.0794	2.8463
25.12.2013	2.0449	2.7991
24.12.2013	2.0400	2.7883

The Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: TL 2.0330 EUR: TL 2.7864

Sensitivity to currency risk:

The Bank's sensitivity to any potential change in foreign currency rates has been analyzed. In the analysis presented below 10% change, which is also the amount used for the internal reporting purposes, is anticipated in USD, EUR, GBP and CHF.

	% Change in Foreign Currency	Effects on Profit/Loss ⁽¹⁾	
		Current Period	Prior Period
USD	10% increase	14,050	189,438
	10% decrease	(14,050)	(189,438)
EUR	10% increase	(240,107)	(184,307)
	10% decrease	240,107	184,307
GBP	10% increase	26,043	69,305
	10% decrease	(26,043)	(69,305)
CHF	10% increase	(42,646)	(18,577)
	10% decrease	42,646	18,577

⁽¹⁾ Indicates the values before tax.

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Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,833,662	7,740,328	3,230,430	17,804,420
Banks	219,837	848,595	343,976	1,412,408
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	126,703	371,616		498,319
Money Market Placements				
Financial Assets Available for Sale	623,394	5,776,895		6,400,289
Loans ⁽²⁾	16,055,402	34,735,278	1,479,203	52,269,883
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	285,945		130,366	416,311
Held to Maturity Investments	7,561	2,115	6,021	15,697
Derivative Financial Assets Held for Risk Management				
Tangible Assets ⁽¹⁾	86	50	1,298	1,434
Intangible Assets ⁽¹⁾				
Other Assets ⁽¹⁾	525,963	400,172	17,405	943,540
Total Assets	24,678,553	49,875,049	5,208,699	79,762,301
Liabilities				
Banks Deposits	1,282,495	1,062,947	340,084	2,685,526
Foreign Currency Deposits ⁽³⁾	23,038,932	23,490,696	5,319,656	51,849,284
Money Market Funds	220,903	3,693,226		3,914,129
Funds Provided from Other Financial Institutions	6,019,731	8,249,622	1,499	14,270,852
Marketable Securities Issued ⁽⁴⁾		7,926,657		7,926,657
Miscellaneous Payables	117,467	135,400	30,218	283,085
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities ⁽¹⁾	1,189,626	2,171,324	10,297	3,371,247
Total Liabilities	31,869,154	46,729,872	5,701,754	84,300,780
Net On Balance Sheet Position	(7,190,601)	3,145,177	(493,055)	(4,538,479)
Net Off Balance Sheet Position	4,849,740	(2,733,080)	370,169	2,486,829
Derivative Financial Assets ⁽⁵⁾	11,027,720	8,671,467	2,196,777	21,895,964
Derivative Financial Liabilities ⁽⁵⁾	6,177,980	11,404,547	1,826,608	19,409,135
Non-Cash Loans	7,498,203	14,182,117	874,592	22,554,912
Prior Period				
Total Assets	17,304,130	39,055,492	4,558,007	60,917,629
Total Liabilities	20,707,518	35,045,233	4,547,397	60,300,148
Net Balance Sheet Position	(3,403,388)	4,010,259	10,610	617,481
Net Off Balance Sheet Position	1,560,584	(2,165,399)	531,147	(73,668)
Derivative Financial Assets	4,513,401	6,079,032	1,696,374	12,288,807
Derivative Financial Liabilities	2,952,817	8,244,431	1,165,227	12,362,475
Non-Cash Loans	5,287,473	10,132,636	694,399	16,114,508

⁽¹⁾ 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", Foreign Currency Income Accruals of Derivative Financial Instruments (TL 787,687), Operating Lease Development Costs (TL 4,659), Intangible assets (TL 791), Deferred Tax Asset (TL 71), Prepaid Expenses (TL 29,832) in assets and Foreign Currency Expense Accruals of Derivative Financial Instruments (TL 137,497), General Provision (TL 3,659) and Shareholders' Equity (TL(42,776)) in liabilities are not included.

⁽²⁾ Foreign currency indexed loans amounting TL 4,542,220 presented in TL loans in the balance sheet are included in the table above. TL 2,514,699 is USD indexed, TL 1,982,235 is EUR indexed, TL 7,555 is CHF indexed, TL 6,174 is GBP indexed, TL 31,541 is JPY indexed and TL 16 is CAD indexed.

⁽³⁾ Precious metals deposit accounts amounting TL 3,235,823 are included.

⁽⁴⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

⁽⁵⁾ Forward foreign currency purchase and sale commitments are included according to aforementioned regulation.

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VI. Explanations on Interest Rate Risk

Interest rate risk is the risk that the value of the Bank's interest sensitive assets, liabilities and off-balance sheet operations will decrease because of change in market interest rates. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the year end balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Bank's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate ⁽¹⁾		Effect On Profit/Loss ⁽²⁾		Effect on Equity ⁽³⁾	
TL	FC ⁽⁴⁾	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	(194,306)	(72,312)	(480,678)	(444,381)
1 point decrease	1 point decrease	205,131	109,855	512,920	478,449

⁽¹⁾ Changes in interest rates are calculated assuming that the expectations reflected in inflation. The effects on the profit/loss and shareholders' equity are stated with their before tax values.

⁽²⁾ The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

⁽³⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

⁽⁴⁾ Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

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a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						23,027,535	23,027,535
Banks	998,639	9,107	27,373	21,169		471,322	1,527,610
Financial Assets at Fair Value through Profit/Loss	525,710	696,723	609,748	243,837	126,708	832	2,203,558
Money Market Placements							
Financial Assets Available for Sale	6,966,296	4,027,216	6,261,904	5,680,266	5,340,061	72,087	28,347,830
Loans	28,032,474	21,621,321	28,371,035	44,311,794	12,915,324	29,073	135,281,021
Held to Maturity Investments	150,501	906,709	6,570,238				7,627,448
Other Assets	536,893					11,948,142	12,485,035
Total Assets	37,210,513	27,261,076	41,840,298	50,257,066	18,382,093	35,548,991	210,500,037
Liabilities							
Banks Deposits	3,067,789	329,471	301,182			280,968	3,979,410
Other Deposits	64,146,810	19,921,952	7,435,026	173,771		25,317,796	116,995,355
Money Market Funds	19,851,877	418,461	645,940				20,916,278
Miscellaneous Payables	47,295					4,289,962	4,337,257
Marketable Securities Issued ⁽¹⁾	1,039,817	1,269,975	2,693,928	4,041,087	4,034,762		13,079,569
Funds Provided from Other Financial Institutions	4,560,018	6,740,531	3,284,981	431,857	904,507		15,921,894
Other Liabilities ⁽²⁾	356,791	869,308	2,460,625	151,511		31,432,039	35,270,274
Total Liabilities	93,070,397	29,549,698	16,821,682	4,798,226	4,939,269	61,320,765	210,500,037
Balance Sheet Long Position			25,018,616	45,458,840	13,442,824		83,920,280
Balance Sheet Short Position	(55,859,884)	(2,288,622)				(25,771,774)	(83,920,280)
Off Balance Sheet Long Position	1,423,899	2,553,709					3,977,608
Off Balance Sheet Short Position			(835,740)	(2,689,164)	(259,344)		(3,784,248)
Total Position	(54,435,985)	265,087	24,182,876	42,769,676	13,183,480	(25,771,774)	193,360

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

⁽²⁾ Shareholders' equity is included in "non-interest bearing" column

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						15,955,846	15,955,846
Banks	816,858	35,300	19,954			562,734	1,434,846
Financial Assets at Fair Value through Profit/Loss	328,015	588,712	361,258	86,474	8,821	56	1,373,336
Money Market Placements							
Financial Assets Available for Sale	7,762,510	2,177,410	7,297,099	5,226,291	3,820,176	63,417	26,346,903
Loans	31,562,413	11,539,552	23,208,831	33,448,925	7,364,538	17,895	107,142,154
Investment Held to Maturity	661,469	3,264,888	5,029,472	1,997,329			10,953,158
Other Assets	307,016	5	1			11,931,185	12,238,207
Total Assets	41,438,281	17,605,867	35,916,615	40,759,019	11,193,535	28,531,133	175,444,450
Liabilities							
Banks Deposits	2,169,983	387,544	251,233			237,191	3,045,951
Other Deposits	55,470,561	20,381,535	5,576,390	211,606		20,697,391	102,337,483
Money Market Funds	12,498,660	299,695	720,744				13,519,099
Miscellaneous Payables	80,051					3,594,208	3,674,259
Debt Securities Issued ⁽¹⁾	997,897	1,727,076	1,885,232	1,773,362	1,785,000		8,168,567
Funds Provided from Other Financial Institutions	5,795,809	2,202,631	1,946,767	73,517	728,830		10,747,554
Other Liabilities ⁽²⁾	240,364	774,868	2,277,753	44,432		30,614,120	33,951,537
Total Liabilities	77,253,325	25,773,349	12,658,119	2,102,917	2,513,830	55,142,910	175,444,450
Balance Sheet Long Position			23,258,496	38,656,102	8,679,705		70,594,303
Balance Sheet Short Position	(35,815,044)	(8,167,482)				(26,611,777)	(70,594,303)
Off Balance Sheet Long Position	2,258,675	4,308,600					6,567,275
Off Balance Sheet Short Position			(3,046,236)	(2,870,847)	(339,234)		(6,256,317)
Total Position	(33,556,369)	(3,858,882)	20,212,260	35,785,255	8,340,471	(26,611,777)	310,958

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.⁽²⁾ Shareholders' equity is included in "non-interest bearing" column.

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b. Average interest rates applied to monetary financial instruments:

	EUR	USD	JPY	TL
Current Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.15	0.27		4.86
Financial Assets at Fair Value through Profit/Loss	3.15	4.59		12.02
Money Market Placements				
Financial Assets Available for Sale	4.60	4.23		8.09
Loans	3.95	4.41	3.39	11.61
Held to Maturity Investments	1.29	0.05		11.83
Liabilities				
Banks Deposits	1.83	0.86		6.65
Other Deposits	2.03	2.08	0.05	6.38
Money Market Funds	1.56	1.20		7.45
Miscellaneous Payables				
Debt Securities Issued ⁽¹⁾		5.25		8.40
Funds Provided from Other Financial Institutions	1.35	2.01	2.49	7.35

⁽¹⁾Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

	EUR	USD	JPY	TL
Prior Period	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.46	0.36		5.15
Financial Assets at Fair Value through Profit/Loss	2.31	3.25		8.61
Money Market Placements				
Financial Assets Available for Sale	4.63	4.57		8.18
Loans	4.67	4.90	3.31	12.94
Held to Maturity Investments	0.75	0.05		12.54
Liabilities				
Banks Deposits	1.90	2.10		6.16
Other Deposits	2.19	2.26	0.01	6.40
Money Market Funds	2.09	1.44		5.74
Miscellaneous Payables				
Debt Securities Issued ⁽¹⁾		5.33		8.11
Funds Provided from Other Financial Institutions	1.40	2.29		8.85

⁽¹⁾Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

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

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books about Interest Rate Risk in the Banking Accounts from the Regulation on Measurement and Assessment of Standard Shock Method which is published in the Official Gazette No. 28034 dated 23 August 2011. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which is original maturities is longer than contractual maturities. In the core deposit analysis, the historical data of demand deposit is used and calculated the how much and which maturity would remain within the bank and these analysis is used as an input to not constitute a conflict of the legal provisions for quantifying the interest rate arising from banking book.

Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	(+) 500	(3,871,922)	(13.98)%
TL	(-) 400	3,746,604	13.53%
EUR	(+) 200	(70,607)	(0.25)%
EUR	(-) 200	87,635	0.32%
USD	(+) 200	(362,130)	(1.31)%
USD	(-) 200	424,716	1.53%
Total (for Negative Shocks)		4,258,955	15.38%
Total (for Positive Shocks)		(4,304,659)	(15.54)%

VII. Explanations on Equity Shares Risk Arising from Banking Book

a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Third Section and the footnote numbered III.

b. Balance Sheet Value of Equity Investment, fair value, and for publicly traded, if the market value is different from the fair value comparison to the market price:

Share Certificate Investments	Comparison		
	Book Value	Fair Value	Market Value
Quoted			
Stock Investment Group A			
Subsidiaries			
Financial Subsidiaries	2,829,152		2,829,152
Non-Financial Subsidiaries	2,756,550		2,756,550
Non-Quoted			
Associate and Subsidiaries			
Financial Subsidiaries	85,295		
Non-Financial Subsidiaries	658,620		
Subsidiaries			
Financial Subsidiaries	865,556		
Non-Financial Subsidiaries	565,598		

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c. Unrealized gains and losses on investment in stocks, Revaluation increases with the amounts of additives included in the main and capital

Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains	
		Total	Including to the Capital Contribution	Total	Including in to the main capital
1 Private Equity Investments					
2 Shares Traded on a Stock Exchange				2,618,616	1,178,377
3 Other Stocks					
4 Total				2,618,616	1,178,377

VIII. Explanations on Liquidity Risk

Liquidity risk may occur as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Bank analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio mean the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio means the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios for the year ended 2013 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	149.64	142.48	103.54	107.25
Highest (%)	179.14	179.34	126.04	116.66
Lowest (%)	100.23	114.61	86.59	100.52

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

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Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,221,153	14,806,382						23,027,535
Banks	652,317	817,644	9,107	27,373	21,169			1,527,610
Financial Assets at Fair Value through Profit/Loss	2	422,372	406,728	491,647	568,431	314,378		2,203,558
Money Market Placements								
Financial Assets Available for Sale	72,087	559,211	617,121	3,777,572	11,002,925	12,318,914		28,347,830
Loans	6,731,535	12,586,977	10,906,926	37,919,809	54,358,626	12,339,501	437,647	135,281,021
Held to Maturity Investments			717,720	5,769,789	1,139,939			7,627,448
Other Assets		1,422,599	49,347	12,750	35,041		10,965,298	12,485,035
Total Assets	15,677,094	30,615,185	12,706,949	47,998,940	67,126,131	24,972,793	11,402,945	210,500,037
Liabilities								
Bank Deposits	297,512	3,051,245	329,471	301,182				3,979,410
Other Deposits	25,325,583	64,137,223	19,915,765	7,442,976	173,808			116,995,355
Funds Provided from Other Financial Institutions		418,617	1,147,496	8,980,455	4,199,522	1,175,804		15,921,894
Money Market Funds		19,585,239	94,899	240,067	558,129	437,944		20,916,278
Marketable Securities Issued ⁽²⁾		1,029,298	1,246,964	2,663,335	4,094,001	4,045,971		13,079,569
Miscellaneous Payables		4,197,017	62,510	36,051	41,679			4,337,257
Other Liabilities		1,701,580	1,047,961	2,457,933	151,511		29,911,289	35,270,274
Total Liabilities	25,623,095	94,120,219	23,845,066	22,121,999	9,218,650	5,659,719	29,911,289	210,500,037
Liquidity Gap	(9,946,001)	(63,505,034)	(11,138,117)	25,876,941	57,907,481	19,313,074	(18,508,344)	
Prior Period								
Total Assets	17,687,386	27,906,789	8,874,685	32,734,514	59,077,721	18,008,981	11,154,374	175,444,450
Total Liabilities	20,946,735	76,654,612	23,984,350	17,169,013	5,300,465	2,927,156	28,462,119	175,444,450
Liquidity Gap	(3,259,349)	(48,747,823)	(15,109,665)	15,565,501	53,777,256	15,081,825	(17,307,745)	

⁽¹⁾ Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated'.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

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In compliance with the Turkish Financial Reporting Standard no.7, the following table indicates the maturities of the Bank's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	2	6,428	23,718	198,843	540,117	496,434	1,265,542	374,557	890,985
Banks	652,317	817,647	9,170	28,103	22,196		1,529,433	1,823	1,527,610
Financial Assets Available for Sale	72,087	795,859	924,026	4,789,300	15,577,217	19,127,387	41,285,876	12,938,046	28,347,830
Loans ⁽¹⁾	6,731,535	13,060,967	12,029,857	43,044,772	64,427,772	14,132,153	153,427,056	18,583,682	134,843,374
Investments Held to Maturity		3,327	837,842	6,132,573	1,257,748		8,231,490	604,042	7,627,448
Liabilities									
Deposits	25,623,095	67,356,660	20,405,566	7,873,928	185,883		121,445,132	470,367	120,974,765
Funds Provided from Other Financial Institutions		424,628	1,172,886	9,121,167	4,550,715	1,243,094	16,512,490	590,596	15,921,894
Money Market Funds		19,589,631	96,033	253,132	623,117	446,774	21,008,687	92,409	20,916,278
Marketable Securities Issued ⁽²⁾		1,035,839	1,290,308	3,125,617	5,551,020	4,881,459	15,884,243	2,804,674	13,079,569

⁽¹⁾ Non-performing loans (Net) is not included in the table

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	56	15,819	63,219	258,100	459,208	212,068	1,008,470	253,797	754,673
Banks	711,020	668,625	35,390	20,661			1,435,696	850	1,434,846
Financial Assets Available for Sale	63,417	1,504,071	619,398	4,994,235	14,227,319	11,334,342	32,742,782	6,395,879	26,346,903
Loans ⁽¹⁾	12,188,320	12,858,210	9,056,309	29,159,245	47,448,870	10,229,343	120,940,297	14,224,527	106,715,770
Investments Held to Maturity		515,270	292,581	3,750,520	8,098,198		12,656,569	1,703,411	10,953,158
Liabilities									
Deposits	20,946,735	57,776,498	20,948,449	5,957,463	231,148		105,860,293	476,859	105,383,434
Funds Provided from Other Financial Institutions		307,084	396,337	6,755,842	2,972,570	793,591	11,225,424	477,870	10,747,554
Money Market Funds		12,283,555	5,768	394,543	544,922	411,281	13,640,069	120,970	13,519,099
Marketable Securities Issued ⁽²⁾		1,000,000	1,605,389	2,239,056	2,465,531	2,320,500	9,630,476	1,461,909	8,168,567

⁽¹⁾ Non-performing loans (Net) is not included in the table

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

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The following table shows the remaining maturities of non-cash loans of the Bank.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	3,049,754	226,328	751,540	2,300,112	93,515		6,421,249
Letters of Guarantee	17,552,272	594,791	1,642,000	5,588,081	3,404,725	728,988	29,510,857
Acceptances	26,160	282,825	191,936	964,702	29,323		1,494,946
Other	8,494	696	9,193	23,639	50,312	492,728	585,062
Total	20,636,680	1,104,640	2,594,669	8,876,534	3,577,875	1,221,716	38,012,114
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,043,693	372,527	631,597	1,495,739	41,691		4,585,247
Letters of Guarantee	13,464,796	642,626	1,343,974	3,973,423	2,488,947	337,628	22,251,394
Acceptances	45,351	168,374	343,971	698,964	41,590		1,298,250
Other	22,057	5,276	6,996	32,888	42,769	376,735	486,721
Total	15,575,897	1,188,803	2,326,538	6,201,014	2,614,997	714,363	28,621,612

The following table shows the remaining maturities of derivative financial assets and liabilities of the Bank.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts-Buy	1,931,447	929,102	1,563,470	137,617		4,561,636
Forwards Contracts-Sell	1,938,462	945,983	1,566,678	137,435		4,588,558
Swaps Contracts-Buy	9,363,548	4,703,135	3,701,449	11,075,371	2,340,398	31,183,901
Swaps Contracts-Sell	9,279,628	4,670,697	3,682,428	10,886,023	2,340,398	30,859,174
Futures Transactions-Buy						
Futures Transactions-Sell		358				358
Options-Call	919,955	835,986	3,164,858	352,305	570,171	5,843,275
Options-Put	924,307	840,338	3,164,858	352,305	570,171	5,851,979
Other	52,397	240,338	145,519			438,254
Total	24,409,744	13,165,937	16,989,260	22,941,056	5,821,138	83,327,135
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	2,181,845	1,109,347	1,585,745	167,416		5,044,353
Forwards Contracts- Sell	2,159,549	1,104,851	1,584,790	166,962		5,016,152
Swaps Contracts-Buy	5,192,537	1,501,917	5,690,904	7,806,874	1,642,977	21,835,209
Swaps Contracts-Sell	4,781,645	1,501,805	5,464,629	7,754,456	1,642,977	21,145,512
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	712,426	583,651	2,142,104	1,074,063	489,672	5,001,916
Options-Put	711,100	580,993	2,130,608	1,074,063	489,672	4,986,436
Other	380,080	2,212	40,338			422,630
Total	16,119,182	6,384,776	18,639,118	18,043,834	4,265,298	63,452,208

IX. Explanations on securitization positions

None.

X. Explanations on credit risk mitigation techniques:

Activities carried out by the bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

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XI. Explanations on risk management objectives and policies

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertaken risks and the independence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Management Department, which operates under the Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Model Verification and Subsidiary Risk Unit.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

These policies which are entered into force in line with the international practices are general standards which contains; organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations and approval and confirmation to be given in a variety of events and situations. The scope and content of the Bank's risk management system is given by the main risk types.

Credit risk

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines, measures and manages credit risk of the all products and activities. Board of Directors review the Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Bank's credit risk management, along the limits as required by legal regulations, the Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

Asset and Liability Management Risk

Asset-liability management risk defined as the risk of Bank's incurring loss due to managing all financial risks that are inflicted from the Bank's assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

All principles and procedures related to the generating and management of asset and liability structure and "Risk Appetite" related to the capital to be allocated, are determined by the Board of Director. Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Bank's liquidity, target income level and general expectations about changes in risk factors and risk appetite.

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Board of Directors and the Audit Committee are responsible for following the Bank's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Measurement of the Asset and Liability Management's risk, reporting of the measurement results and monitoring the compliance with risk limits are the responsibility of the Risk Management Department. The course of the risk taken is examined through different scenarios. The measurement results are tested in terms of reliability and integrity. Information related to asset-liability management risk is reported to the Board of Directors by the Department of Risk Management through the Risk Committee and the Audit Committee.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

Operational Risk

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consisted and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all at the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information uses that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

XII. Explanations on Other Price Risks

The Bank has investments in companies traded on the Borsa İstanbul A.Ş. is exposed to equity securities price risk. Shares are being acquired for investment purposes rather than.

The Bank's sensitivity to equity price risk at the reporting date an analysis was conducted to measure. In the analysis, with the assumption of all other variables were held constant (stock prices) are 10% higher or lower and is assumed that. According to this assumption in equity securities revaluation reserve account TL 558,570 (31.12.2012: TL 549,635) increase/decrease is expected to be. This, in fact, the fair value of publicly traded subsidiaries and associates the increase/decrease is due.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

XIII. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements				
Banks	1,527,610	1,434,846	1,528,476	1,435,488
Financial Assets Available for Sale	28,347,830	26,346,903	28,347,830	26,346,903
Investments Held to Maturity	7,627,448	10,953,158	7,732,705	11,737,347
Loans	135,281,021	107,142,154	135,246,177	109,328,315
Financial Liabilities				
Banks Deposits	3,979,410	3,045,951	3,978,557	3,047,971
Other Deposits	116,995,355	102,337,483	116,991,760	102,336,717
Funds Provided from Other Financial Institutions	15,921,894	10,747,554	15,847,426	10,780,406
Marketable Securities Issued ⁽¹⁾	13,079,569	8,168,567	12,834,095	8,368,707
Miscellaneous Payables	4,337,257	3,674,259	4,337,257	3,674,259

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included

Fair values of investments held to maturity securities issued is determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions and marketable securities are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

"IFRS 7 - Financial Instruments: Disclosures" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	827,854	5,901	57,228
Equity Securities	2		
Derivative Financial Assets Held for Trading		1,312,573	
Other			
Financial Assets Available-for-Sale ⁽¹⁾			
Debt Securities	18,989,827	5,190,812	4,095,104
Other		44,002	
Investments in Subsidiaries and Associates ⁽²⁾	5,585,702		
Derivative Financial Liabilities		981,522	

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 28,085) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

⁽²⁾ Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of "TAS 39", these companies are not included in the table.

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Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	743,081	4,978	6,558
Equity Securities	56		
Derivative Financial Assets Held for Trading		618,663	
Other			
Financial Assets Available-for-Sale ⁽¹⁾			
Debt Securities	20,011,555	5,043,551	1,228,380
Other		48,333	
Investments in Subsidiaries and Associates ⁽²⁾	5,496,345		
Derivative Financial Liabilities		737,284	

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 15,084) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

⁽²⁾ Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	1,234,938	6,352,548
Purchases	2,995,775	25,603
Redemption or Sales	(297,139)	(2,957,158)
Valuation Difference	171,547	(135,885)
Transfers	47,211	(2,050,170)
Balance at the end of the Period	4,152,332	1,234,938

XIV. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Bank gives trading, custody, fund management services in the name and on the account of its customers. The Bank has no fiduciary transactions.

XV. Explanations on Segment Reporting

The Bank's operations are classified as corporate, commercial, retail and private banking, and treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies through various financial media within the course of its corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantees, letter of credits, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Bank's investments in associates and subsidiaries operating in the financial and non-financial sectors are evaluated within the context of investment banking. The details about the aforementioned investments are stated in note I.i and I.j section of Section Five.

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Statement of information related to business segmentation is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							13,460,682
Interest Income from Loans	2,380,559	4,529,831	3,223,543	39,690		205,890	10,379,513
Interest Income from Banks					8,190		8,190
Interest Income from Securities					3,031,035		3,031,035
Other Interest Income					167	41,777	41,944
Interest Expense							6,805,252
Interest Expense on Deposits	933,631	724,155	1,673,395	1,086,472		436,758	4,854,411
Interest Expense on Funds Borrowed					338,799		338,799
Interest Expense on Money Market Transactions					946,292		946,292
Interest Expense on Securities Issued					584,757		584,757
Other Interest Expense						80,993	80,993
Net Interest Income							6,655,430
Net Fees and Commissions Income							1,919,086
Fees and Commissions Received	281,772	966,744	865,311	22,837		14,033	2,150,697
Fees and Commissions Paid						231,611	231,611
Dividend Income					450,312		450,312
Trading Income/Loss (Net)					223,266		223,266
Other Income	29,899	332,476	118,649	30	153,913	403,175	1,038,142
Prov. For Loans and Other Receivables	36,879	560,619	298,209	1,552	26,721	543,038	1,467,018
Other Operating Expense	71,928	814,927	1,453,675	28,826	97,334	2,495,829	4,962,519
Income Before Tax							3,856,699
Tax Provision							693,334
Net Period Profit							3,163,365
SEGMENT ASSETS							
Financial Assets at FV Through P/L					2,203,558		2,203,558
Banks and Other Financial Institutions					1,527,610		1,527,610
Financial Assets Available for Sale					28,347,830		28,347,830
Loans	44,568,109	52,151,330	33,404,513	501,812		4,655,257	135,281,021
Held to Maturity Investments					7,627,448		7,627,448
Associates and Subsidiaries					7,760,771		7,760,771
Other						27,751,799	27,751,799
							210,500,037
SEGMENT LIABILITIES							
Deposits	18,489,358	23,928,060	47,392,329	22,226,914		8,938,104	120,974,765
Derivative Financial Liabilities Held for Trading					981,522		981,522
Funds Borrowed					15,921,894		15,921,894
Money Market Funds					20,916,278		20,916,278
Securities Issued ⁽¹⁾					13,079,569		13,079,569
Other Liabilities						9,204,436	9,204,436
Provisions						5,842,456	5,842,456
Shareholders' Equity						23,579,117	23,579,117
							210,500,037

⁽¹⁾Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

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Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							13,390,415
Interest Income from Loans	1,878,217	4,466,142	3,076,112	45,054		219,994	9,685,519
Interest Income from Banks					12,284		12,284
Interest Income from Securities					3,650,118		3,650,118
Other Interest Income					407	42,087	42,494
Interest Expense							7,462,498
Interest Expense on Deposits	1,180,937	955,887	1,773,124	1,251,535		308,044	5,469,527
Interest Expense on Funds Borrowed					259,778		259,778
Interest Expense on Money Market Transactions					1,221,163		1,221,163
Interest Expense on Securities Issued					438,540		438,540
Other Interest Expense						73,490	73,490
Net Interest Income							5,927,917
Net Fees and Commissions Income							1,706,227
Fees and Commissions Received	203,439	419,068	574,114	17,106		704,870	1,918,597
Fees and Commissions Paid						212,370	212,370
Dividend Income					417,703		417,703
Trading Income/Loss (Net)					590,390		590,390
Other Income	17,932	356,260	305,082	277	108,303	384,290	1,172,144
Prov. For Loans and Other Receivables	19,673	427,490	244,815	868	26,964	489,312	1,209,122
Other Operating Expense	204,825	801,220	1,555,040	73,774		1,849,447	4,484,306
Income Before Tax							4,120,953
Tax Provision							810,646
Net Period Profit							3,310,307
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					1,373,336		1,373,336
Banks and Other Financial Institutions					1,434,846		1,434,846
Financial Assets Available for Sale					26,346,903		26,346,903
Loans	36,942,125	39,850,812	27,097,088	403,235		2,848,894	107,142,154
Investments Held to Maturity					10,953,158		10,953,158
Associates and Subsidiaries					7,699,954		7,699,954
Other						20,494,099	20,494,099
							175,444,450
SEGMENT LIABILITIES							
Deposits	23,541,186	19,314,523	41,607,322	17,726,355		3,194,048	105,383,434
Derivative Financial Liabilities Held for Trading					737,284		737,284
Funds Borrowed					10,747,554		10,747,554
Money Market Funds					13,519,099		13,519,099
Securities Issued					8,168,567		8,168,567
Other Liabilities						8,789,362	8,789,362
Provisions						5,380,105	5,380,105
Shareholders' Equity						22,719,045	22,719,045
							175,444,450

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

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SECTION FIVE: EXPLANATIONS AND FOOTNOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. Disclosures and Footnotes on Assets

a. Cash and Central Bank of Turkey:

a.1. Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,338,201	814,128	1,063,603	594,193
Central Bank of Turkey	3,884,914	16,922,804	1,530,312	12,668,939
Other		67,488		98,799
Total	5,223,115	17,804,420	2,593,915	13,361,931

a.2. Information on balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3,884,914	2,116,423	1,530,312	1,437,666
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		14,806,381		11,231,273
Total	3,884,914	16,922,804	1,530,312	12,668,939

⁽¹⁾ The amount of reserve deposits held at the Central Bank of Turkey.

a.3. Information on reserve requirements:

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11.5% for TL deposits and other liabilities, between 9%-13% for FC deposits and between 6%-13% for other FC liabilities. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, The Central Bank of Turkey isn't paid interest for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial Assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2013 are amounting to TL 54 (31 December 2012: TL 97).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2013 are amounting to TL 816,339 (31 December 2012: TL 717,170).

c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1,577	115,890	64,342	10,695
Swap Transactions	27,319	1,050,468	77,827	424,280
Futures				
Options	3,572	113,747	6,279	32,731
Other				2,509
Total	32,468	1,280,105	148,448	470,215

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

d. Information on Banks:

d.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	15,338	534,818	9,146	279,888
Foreign Banks	99,864	877,590	94,991	1,050,821
Foreign Head Office and Branches				
Total	115,202	1,412,408	104,137	1,330,709

d.2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	365,127	696,358		
USA, Canada	128,062	129,382	106	89
OECD Countries ⁽¹⁾	92,047	10,572		
Off-shore Banking Regions				
Other	309,113	242,308	82,999	67,103
Total	894,349	1,078,620	83,105	67,192

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

e. Information on Financial Assets Available for Sale:

e.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked, amount to TL 3,466,708 as of 31 December 2013 (31 December 2012: TL 1,949,912).

e.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale, which are subject to repurchase agreements amount to TL 16,621,455 as of 31 December 2013 (31 December 2012: TL 9,563,102).

f. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	28,930,590	26,308,601
Quoted on a Stock Exchange	19,483,445	20,035,781
Not-Quoted ⁽¹⁾	9,447,145	6,272,820
Share Certificates	28,085	15,084
Quoted on a Stock Exchange		
Not-Quoted	28,085	15,084
Value Increase/Impairment Losses (-)	654,847	25,115
Other	44,002	48,333
Total	28,347,830	26,346,903

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

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g. Information related to loans:

g.1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	213,084	39	180,615	69
Total	213,084	39	180,615	69

g.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled, loans and receivables amended on conditions of contract:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Amendments on Conditions of Contract	
		Extension of the payment plan	Other		Extension of the payment plan	Other
Non-specialized loans	132,758,713	2,354,248	1,593,768	2,084,661	429,786	67,393
Corporation Loans	63,729,249	485,798		730,660	85,931 ⁽¹⁾	54,347
Export Loans	7,563,699	4,676		69,905	4,724	
Import Loans						
Loans Given to Financial Sector	3,276,236			756		
Consumer Loans	27,659,221	1,834,063	1,591,727	705,374	94,801	13,046
Credit Cards	10,644,603			375,037	176,538	
Other	19,885,705	29,711	2,041	202,929	67,792	
Specialized Loans						
Other Receivables						
Total	132,758,713	2,354,248	1,593,768	2,084,661	429,786	67,393

⁽¹⁾ Make the Amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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Number of Amendments Related to the Extension of the Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 Times	2,251,092	420,260 ⁽¹⁾
Extended for 3,4 or 5 Times	72,912	3,504
Extended for More than 5 Times	30,244	6,022

⁽¹⁾ Make the amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

The Time Extended via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	716,951	21,384
6 Months - 12 Months	247,220	46,619
1 - 2 Years	523,221	87,215
2 -5 Years	803,823	165,175 ⁽¹⁾
5 Years and More	63,033	109,393 ⁽¹⁾

⁽¹⁾ Make the amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

g.3. Information on Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans and Other Receivables	38,815,588	85,459	572,241	45,676
Non-Specialization Loans	38,815,588	85,459	572,241	45,676
Specialization Loans				
Other Receivables				
Medium and Long-term Loans and Other Receivables	93,943,125	3,862,557	1,512,420	451,503
Non- Specialization Loans	93,943,125	3,862,557	1,512,420	451,503 ⁽¹⁾
Specialization Loans				
Other Receivables				

⁽¹⁾ Make the amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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g.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans - TL	453,943	27,274,054	168,555	27,896,552
Real Estate Loans	15,109	11,634,334	69,315	11,718,758
Vehicle Loans	14,701	1,278,900	7,339	1,300,940
General Purpose Consumer Loans	73,478	1,554,910	11,985	1,640,373
Other Consumer Loans	350,655	12,805,910	79,916	13,236,481
Consumer Loans - FC Indexed		33,091	25,570	58,661
Real Estate Loans		33,084	25,566	58,650
Vehicle Loans		7	4	11
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans - FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Retail Credit Cards - TL	8,953,679	1,013,433	31,231	9,998,343
With Installments	4,344,349	1,013,433		5,357,782
Without Installments	4,609,330		31,231	4,640,561
Retail Credit Cards - FC				
With Installments				
Without Installments				
Personnel Loans-TL	7,474	72,810	534	80,818
Real Estate Loans		1,606	134	1,740
Vehicle Loans	15	1,730	9	1,754
General Purpose Consumer Loans	502	7,521	59	8,082
Other Consumer Loans	6,957	61,953	332	69,242
Personnel Loans- FC Indexed		277	221	498
Real Estate Loans		277	221	498
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans - FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Credit Cards - TL	124,107		347	124,454
With Installments	58,539			58,539
Without Installments	65,568		347	65,915
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts - TL (real persons)	323,071		4,995	328,066
Overdraft Accounts - FC (real persons)				
Total	9,862,274	28,393,665	231,453	38,487,392

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

g.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	1,360,896	17,755,089	148,506	19,264,491
Real Estate Loans	1,646	770,377	4,498	776,521
Vehicle Loans	74,414	2,718,545	15,445	2,808,404
General Purpose Commercial Loans	1,279,304	13,897,447	122,367	15,299,118
Other Commercial Loans	5,532	368,720	6,196	380,448
Commercial Loans With Installments-FC Indexed	55,010	1,539,496	361,744	1,956,250
Real Estate Loans		73,999	18,406	92,405
Vehicle Loans	1,172	513,205	125,905	640,282
General Purpose Commercial Loans	53,838	908,180	203,209	1,165,227
Other Commercial Loans		44,112	14,224	58,336
Commercial Loans With Installments-FC	709	504,076	11,365	516,150
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans	709	504,076	11,365	516,150
Corporate Credit Cards-TL	854,436	39,625	2,782	896,843
With Installments	255,922	39,625		295,547
Without Installments	598,514		2,782	601,296
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts - TL (corporate)	777,375		8,471	785,846
Overdraft Accounts - FC (corporate)				
Total	3,048,426	19,838,286	532,868	23,419,580

g.6. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	2,152,127	1,965,493
Private Sector	133,128,894	105,176,661
Total	135,281,021	107,142,154

g.7. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	133,419,538	105,715,828
Foreign Loans	1,861,483	1,426,326
Total	135,281,021	107,142,154

g.8. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	841,356	343,580
Indirect Loans Granted to Subsidiaries and Associates		
Total	841,356	343,580

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**Notes to the Unconsolidated Financial Statements
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g.9. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	52,680	54,050
Loans and Receivables with Doubtful Collectability	234,190	215,259
Uncollectible Loans and Receivables	1,513,275	1,329,574
Total	1,800,145	1,598,883

g.10. Information on non-performing loans (Net):

g.10.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	2,338	20,218	21,087
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	2,338	20,218	21,087
Prior Period			
(Gross amounts before the specific provisions)	1,839	22,526	21,600
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	1,839	22,526	21,600

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

g.10.2. Movement of total non-performing loans:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Prior Period Ending Balance	266,953	428,740	1,329,574
Corporate and Commercial Loans	132,048	259,362	930,310
Retail Loans	79,859	96,991	175,585
Credit Cards	55,046	72,387	176,133
Other			47,546
Additions (+)	1,470,876	33,951	47,968
Corporate and Commercial Loans	669,391	15,059	27,046
Retail Loans	454,421	1,439	6,738
Credit Cards	347,064	17,453	6,763
Other			7,421
Transfers from Other NPL categories (+)		1,115,468	856,753
Corporate and Commercial Loans		576,393	513,221
Retail Loans		302,570	185,484
Credit Cards		236,505	158,048
Other			
Transfers to Other NPL categories (-)			
Transfers from Other NPL categories (+) Additions (+)	1,115,468	856,753	
Corporate and Commercial Loans	576,393	513,221	
Retail Loans	302,570	185,484	
Credit Cards	236,505	158,048	
Other			
Collections (-)⁽¹⁾	362,959	255,330	502,408
Corporate and Commercial Loans	115,190	101,128	337,112
Retail Loans	150,056	88,658	100,620
Credit Cards	97,713	65,544	61,739
Other			2,937
Write-Offs (-)⁽¹⁾	281	680	218,612
Corporate and Commercial Loans	91	44	118,124
Retail Loans	123	244	35,478
Credit Cards	67	392	63,670
Other			1,340
Current Period Ending Balance	259,121	465,396	1,513,275
Corporate and Commercial Loans	109,765	236,421	1,015,341
Retail Loans	81,531	126,614	231,709
Credit Cards	67,825	102,361	215,535
Other			50,690
Specific Provisions (-)	52,680	234,190	1,513,275
Corporate and Commercial Loans	22,386	119,069	1,015,341
Retail Loans	16,628	63,808	231,709
Credit Cards	13,666	51,313	215,535
Other			50,690
Net Balance on Balance Sheet	206,441	231,206	

⁽¹⁾ Portfolio of non-performing loans in the current year, part of the TL 87,849 transferred to LBT Varlık Yönetim A.Ş. as a value of TL 10,430, part of the TL 163,865 which is consisting of TL 106 receivables previously written off transferred to the Girişim Varlık Yönetim A.Ş. as a value of TL 32,041.

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for the Year Ended 31 December 2013

g.10.3. Information on foreign currency non-performing loans and other receivables:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	8,759	26,693	291,680
Specific Provisions (-)	2,109	13,727	291,680
Net Balance on Balance Sheet	6,650	12,966	
Prior Period:			
Period Ending Balance	4,974	15,269	340,069
Specific Provisions (-)	1,226	7,831	340,069
Net Balance on Balance Sheet ⁽¹⁾	3,748	7,438	

⁽¹⁾ In addition to the loans extended in foreign currency, loans which are monitored in Turkish Lira are included.

g.10.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	259,121	465,396	1,462,585
Specific Provisions (-)	52,680	234,190	1,462,585
Loans to Individuals and Corporate (Net)	206,441	231,206	
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)			50,690
Specific Provisions (-)			50,690
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	266,953	428,740	1,282,028
Specific Provisions (-)	54,050	215,259	1,282,028
Loans to Individuals and Corporate (Net)	212,903	213,481	
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)			47,546
Specific Provisions (-)			47,546
Other Loans and Receivables (Net)			

g.10.5. Main principles of liquidating for uncollectible loans and other receivables

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

g.10.6. Informations on write-off policy

When the failure to obtain due to lack of legal follow-up, because of the absence of redeemable assets of debtors or although conversion of all the assets of debtors with the scope of legal follow-up, there is a remaining receivable balance, receivable, by such evidence is available on borrowers, reduced to one. Such evidence cannot be obtained, uncollectible receivables are written-off by the destruction.

h. Held to Maturity Investments:

h.1. Held to maturity investments given as collateral or blocked:

Held to maturity investments given as collateral or blocked amount to TL 1,123,268 as of 31 December 2013 (31 December 2012: TL 1,735,349).

h.2. Held to maturity investments subject to repurchase agreements:

Held to maturity investments, which are subject to repurchase agreements amount to TL 5,492,696 as of 31 December 2013 (31 December 2012: TL 4,200,685).

h.3. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	7,603,817	10,937,646
Treasury Bills		
Other Public Debt Securities		
Total	7,603,817	10,937,646

h.4. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	7,627,448	10,953,158
Quoted on a Stock Exchange	7,603,817	10,937,646
Not Quoted ⁽¹⁾	23,631	15,512
Impairment Losses (-)		
Total	7,627,448	10,953,158

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

h.5. Movement of held to maturity investments within the year:

	Current Period	Prior Period
Beginning Balance	10,953,158	13,465,702
Foreign Exchange Differences Arising on Monetary Assets	2,601	346
Purchases During the Year	24,953	14,913
Disposals through Sales and Redemption	(3,672,701)	(2,913,716)
Impairment Losses (-)		
Valuation effect	319,437	385,913
Balance at the End of the Period	7,627,448	10,953,158

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i. Information on associates (Net):

i.1. General information on associates:

No	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	20.58
2-	Avea İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	7.44	10.00
3-	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
4-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

i.2. Information on financial statements of associates in the above order ⁽¹⁾:

No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽²⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	3,466,934	469,698	27,850	115,593	66	48,534	59,860	
2-	10,694,873	8,209,896	9,329,474	81,521		(752,521)	(1,040,680)	
3-	32,354	19,628	15,161	858	217	1,144	2,619	
4-	79,837	67,450	45,452	2,016		33,184	18,566	

⁽¹⁾ Indicates the financial data of Arap Türk Bankası A.Ş. as of 31 December 2013, the financial data of other associates as of 31 December 2012.

⁽²⁾ Includes interest income on securities.

i.3. Movement of investments in associates:

	Current Period	Prior Period
Beginning Balance	743,915	743,915
Movements During the Period		
Purchases		
Bonus Shares Acquired		
Dividends Received from Current Year Profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	743,915	743,915
Capital commitments		
Contribution in equity at the end of the period (%)		

i.4. Sectoral information on financial associates and the related carrying amounts:

Associates	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		

i.5. Associates quoted on a stock exchange: None.

i.6. Associates disposed of in the current period: None.

i.7. Associates acquired in the current period: None.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

j. Information on subsidiaries (Net):

j.1. Information on equity adequacy of major subsidiaries:

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance/ Reinsurance companies	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Yatırım Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
Core Capital	1,888,601	1,724,039	1,155,973	832,544	595,985
Paid-in Capital	1,300,374	1,465,000	870,146	310,500	424,365
Share Premium			424	1,302	
Reserves	262,926	273,461	19,758	36,778	99,899
Current Period's Profit and Prior Periods' Profit	326,057	69,786	265,758	165,236	58,365
Non-Controlling Rights				398,953	15,109
Deductions From Core Capital (-)	756	84,208	113	80,225	1,753
Supplementary Capital	138,562	149,396		2,094	3,721
Capital	2,027,163	1,873,435	1,155,973	834,638	599,706
Deductions From Capital (-)	356				
Consolidated Capital	2,026,807	1,873,435	1,155,973	834,638	599,706

j.2. General information on subsidiaries:

№	Title	Address (City/Country)	Bank's Share Percentage-if Different, Voting Rights (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Hayat Emeklilik A.Ş.	Istanbul/TURKEY	62.00	83.00
2-	Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.	Izmir/TURKEY	99.89	99.99
3-	Camiş Yatırım Holding A.Ş.	Istanbul/TURKEY	99.97	100.00
4-	Closed Joint Stock Company İşbank	Moscow/RUSSIA	100.00	100.00
5-	İş Finansal Kiralama A.Ş.	Istanbul/TURKEY	27.79	57.39
6-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/TURKEY	42.23	58.04
7-	İş Merkezleri Yönetim ve İşletim A.Ş.	Istanbul/TURKEY	86.33	100.00
8-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	Istanbul/TURKEY	94.65	100.00
9-	İş Yatırım Menkul Değerler A.Ş.	Istanbul/TURKEY	65.65	70.69
10-	İşbank AG	Frankfurt-Main/GERMANY	100.00	100.00
11-	Kültür Yayınları İş-Türk Limited Şirketi	Istanbul/TURKEY	99.17	100.00
12-	Milli Reasürans T.A.Ş.	Istanbul/TURKEY	76.64	77.06
13-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	Izmir/TURKEY	99.81	100.00
14-	Trakya Yatırım Holding A.Ş.	Istanbul/TURKEY	65.34	100.00
15-	Türkiye Sınai Kalkınma Bankası A.Ş.	Istanbul/TURKEY	40.52	50.00
16-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	Istanbul/TURKEY	65.47	73.69

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j.3. Financial statement information related to subsidiaries in the above order ⁽¹⁾:

No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽²⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	Additional Shareholders' Equity Required
1-	7,908,679	540,143	26,684	232,141	33,851	84,706	80,952	1,841,000	
2-	48,286	23,189	8,283	2		-5,582	-3,803		
3-	119,056	119,050		2	29,662	27,855	18,995		
4-	483,610	103,625	47,921	29,518	185	-16,040	-2,479		
5-	3,492,581	603,638	2,958	188,495	2,573	42,189	41,801	407,390	
6-	1,668,720	1,156,086	1,379,950	5,630	1,109	116,157	65,408	882,000	
7-	39,854	15,814	1,185	1,881	335	6,083	6,053		
8-	42,686	34,577	16,846	195	408	3,108	11,620		
9-	4,935,366	917,423	95,408	194,142	139,022	125,312	137,364	397,440	
10-	2,643,785	378,985	52,444	100,712	3,001	2,476	15,188		
11-	14,479	9,131	713	1	20	1,452	1,701		
12-	1,847,224	702,006	43,700	65,176	20,412	22,639	98,349		
13-	604,079	480,807	190,524	580	281,101	253,150	-19,383		
14-	436,842	436,839			237	218	57		
15-	13,439,216	2,017,534	248,941	657,490	23,443	295,154	325,151	2,379,000	
16-	10,946,553	6,312,906	5,705,274	35,448	47	268,198	290,393	4,273,120	

⁽¹⁾ Indicates financial data of Anadolu Hayat Emeklilik A.Ş., Closed Joint Stock Company İşbank, İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş., İşbank AG, Milli Reasürans T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. are as at 31 December 2013; Türkiye Şişe ve Cam Fabrikaları A.Ş. are as at 30 September 2013; and the financial data of other companies are as of 31 December 2012.

⁽²⁾ Includes interest income on securities.

j.4. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	6,956,039	5,531,102
Movements in the Period		
Purchases ⁽¹⁾	336,771	369,313
Bonus Shares Acquired		
Dividends Received from Current Year Profit		
Sales ⁽²⁾	(269,593)	
Revaluation Surplus ⁽³⁾	(107,746)	997,530
Impairment	101,385	58,094
Balance at the End of the Period	7,016,856	6,956,039
Capital Commitments		
Contribution in equity at the end of the period (%)		

⁽¹⁾ Due to various subsidiaries' capital increase through issuance of bonus shares in the current period

⁽²⁾ The amount is comprised of the sales of Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. ve Mipaş Mümessilik İthalat İhracat ve Pazarlama A.Ş.

⁽³⁾ The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

j.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	1,369,683	1,386,942
Insurance Companies	1,592,835	1,230,445
Factoring Companies		
Leasing Companies	112,051	110,282
Finance Companies		
Other Financial Subsidiaries	620,139	692,465
Total	3,694,708	3,420,134

j.6. Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	5,585,702	5,496,345
Traded on foreign stock exchanges		
Total	5,585,702	5,496,345

j.7. Subsidiaries disposed of in the current period:

- The Bank owned 86.90% shares, which equals to TL 77,776, of the Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.'s capital with the amount of TL 89,500. All shares, owned by the Bank, has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş. with the value of TL 127,315 and the sales amount has been paid in advance. As a result of this sales process, sales profit has been made with the amount of TL 913.
- The Bank owned 99.98% shares, which equals to TL 18,627, of the Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.'s capital with the amount of TL 18,630. All shares, owned by the Bank, has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş. with the value of TL 87,010 and the sales amount has been paid in advance. As a result of this sales process, sales profit has been made with the amount of TL 55,663.

j.8. Subsidiaries acquired in the current period: None.

k. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

l. Information regarding finance lease receivables of the Bank (Net):

The Bank has no finance lease receivables.

m. Explanations on derivative financial assets held for risk management:

The Bank has no derivative financial assets held for risk management.

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n. Information on Tangible Assets ⁽¹⁾ (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,452,705	5,624	13,538	1,489,099	4,960,966
Movements in the Period					
- Acquisitions	155,166	13,219	2,597	205,923	376,905
- Disposals	(220,297)	(420)	(1,023)	(24,068)	(245,808)
- Transfers	(45,321)	(6,262)			(51,583)
- Impairment (-) ⁽²⁾	45,628				45,628
- Exchange Difference			25	1,850	1,875
Balance at the End of the Current Period	3,387,881	12,161	15,137	1,672,804	5,087,983
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,185,464)		(11,280)	(943,314)	(3,140,058)
Movements in the Period					
- Depreciation Charge	(46,925)		(1,214)	(157,777)	(205,916)
- Disposals	76,736		977	12,913	90,626
- Transfers					
- Impairment (-)					
- Exchange Difference			(17)	(1,012)	(1,029)
Balance at the End of the Current Period	(2,155,653)		(11,534)	(1,089,190)	(3,256,377)
Prior Year Net Book Value	1,267,241	5,624	2,258	545,785	1,820,908
Net Book Value at the End of the Current Period	1,232,228	12,161	3,603	583,614	1,831,606

⁽¹⁾ As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing 57 TL (2012: 466 TL), and there is no entry in the current period. Book value of tangible fixed assets is during the year which is obtained from the 170,421 TL (2012: 159,137 TL).

⁽²⁾ Expertise in accordance with the revised the fair value of property and/or disposed, which are reversed in the provision for impairment.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

Prior Period ⁽¹⁾	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,512,507	8,767	15,461	1,337,556	4,874,291
Movements in the Period					
- Acquisitions	171,000	12,834	830	175,974	360,638
- Disposals	(167,712)	(7,935)	(2,753)	(24,431)	(202,831)
- Transfers	(70,975)	(8,042)			(79,017)
- Impairment (-) ⁽²⁾	7,885				7,885
Balance at the End of the Current Period	3,452,705	5,624	13,538	1,489,099	4,960,966
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,182,992)		(12,659)	(818,806)	(3,014,457)
Movements in the Period					
- Depreciation Charge	(49,992)		(1,373)	(134,015)	(185,380)
- Disposals	47,520		2,752	9,507	59,779
- Transfers					
- Impairment (-)					
Balance at the End of the Current Period	(2,185,464)		(11,280)	(943,314)	(3,140,058)
Prior Year Net Book Value	1,329,515	8,767	2,802	518,750	1,859,834
Net Book Value at the End of the Current Period	1,267,241	5,624	2,258	545,785	1,820,908

⁽¹⁾As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing 466 TL (2011:TL 5,544), and there is no entry in the current period. Book value of tangible fixed assets is during the year which is obtained from the 159,137 TL (2011: TL 48,811).

⁽²⁾Expertise in accordance with the revised the fair value of property, which is increased are reversed in the provision for impairment.

o. Information on Intangible Assets:

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	366,663	256,885
Movements in the Period		
- Acquisitions	193,377	109,778
- Disposals	(20,062)	
- Impairment		
Balance at the End of the Period	539,978	366,663
Accumulated Amortization		
Balance at the Beginning of the Period	261,756	193,208
Movements in the Period		
- Amortization Charge (-)	95,708	68,548
- Disposals	(13,445)	
- Impairment		
Balance at the End of the Current Period	344,019	261,756
Net Book Value at the End of the Prior Period	104,907	63,677
Net Book Value at the End of the Period	195,959	104,907

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p. Information on investment property:

The Bank has not any investment properties.

r. Information on deferred tax asset:

As of 31 December 2013, the Bank has deferred tax asset amounting to TL 538,592. Such deferred tax asset is calculated based on the temporary differences between the book value of the Bank's assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items. As of 31 December 2013, the Bank has no tax asset measured over the period loss or tax relief.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	28,583	28,419
Provisions ⁽¹⁾	(559,910)	(462,737)
Valuation of Financial Assets	(1,542)	(162,872)
Other	(5,723)	2,699
Net Deferred Tax (Asset)/Liability:	(538,592)	(594,491)

⁽¹⁾ Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, and other provisions.

The Movement of deferred tax assets are as follows:

	Current Period	Prior Period
Balance at Beginning of Period	594,491	488,613
Deferred Tax Income/(Expense) (Net)	(329,474)	306,871
Deferred tax under Equity Accounting	273,566	(200,993)
Exchange Difference	9	
Deferred Tax Asset	538,592	594,491

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

s. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	72,970	59,803
Additions	120	1,012
Transfers (Net)	51,583	79,017
Disposals (Net)	(60,893)	(65,548)
Impairment Losses (-)		
Depreciation	(1,141)	(1,314)
Balance at the End of the Period	62,639	72,970

The Bank has no discontinued operations. The assets classified as "Assets Held for Sale" consist of real estates. Those real estates subject to sale are announced on the Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

t. Information on Other Assets:

The "other assets" item of the balance sheet does not exceed 10% of total assets.

II. Disclosures and Footnotes on Liabilities

a. Information on Deposits:

a.1. The maturity structure of deposits (Current period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	7,385,973		2,753,147	33,728,760	792,099	248,841	465,557		45,374,377
Foreign Currency Deposits	7,974,367		5,416,482	25,621,537	2,852,334	1,565,994	5,182,747		48,613,461
Residents in Turkey	7,137,326		4,786,500	22,865,329	2,501,749	1,150,746	2,499,155		40,940,805
Residents Abroad	837,041		629,982	2,756,208	350,585	415,248	2,683,592		7,672,656
Public Sector Deposits	562,517		45,869	110,818	2,317	423,821	321		1,145,663
Commercial Deposits	6,165,405		1,544,157	7,233,562	283,281	25,762	16,352		15,268,519
Other Institutions Deposits	220,842		502,468	2,353,464	134,430	132,666	13,642		3,357,512
Precious Metals Deposits	3,016,479					202,545	16,799		3,235,823
Interbank Deposits	297,512		1,661,896	1,354,415	164,899	47,959	452,729		3,979,410
The Central Bank of Turkey	48,260								48,260
Domestic Banks	2,719		1,221,390	425,923		8,251	14,341		1,672,624
Foreign Banks	226,623		440,506	928,492	164,899	39,708	438,388		2,238,616
Participations Banks	19,910								19,910
Other									
Total	25,623,095		11,924,019	70,402,556	4,229,360	2,647,588	6,148,147		120,974,765

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a.2. The maturity structure of deposits (Prior period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,580,363		4,031,259	30,161,742	897,622	328,138	454,004		41,453,128
Foreign Currency Deposits	6,692,214		5,783,009	16,690,009	1,593,172	501,996	4,191,082		35,451,482
Residents in Turkey	6,166,298		5,205,093	15,501,343	1,044,582	314,620	2,084,342		30,316,278
Residents Abroad	525,916		577,916	1,188,666	548,590	187,376	2,106,740		5,135,204
Public Sector Deposits	492,556		34,022	821,728	2,091	127	429		1,350,953
Commercial Deposits	4,974,356		2,498,516	6,347,295	290,726	16,225	72,689		14,199,807
Other Institutions Deposits	211,236		200,728	6,557,278	31,578	1,096	1,390		7,003,306
Precious Metals Deposits	2,751,819		116,440	4,751	1	4,827	969		2,878,807
Interbank Deposits	244,191		777,331	1,476,926	131,054	10,357	406,092		3,045,951
The Central Bank of Turkey	56,997								56,997
Domestic Banks	1,996		618,597	283,963	78,884	2,103	19,314		1,004,857
Foreign Banks	178,066		158,734	1,192,963	52,170	8,254	386,778		1,976,965
Participations Banks	7,132								7,132
Other									
Total	20,946,735		13,441,305	62,059,729	2,946,244	862,766	5,126,655		105,383,434

a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits ⁽¹⁾	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	24,302,069	17,246,503	20,666,849	23,879,880
Foreign Currency Savings Deposits	9,360,101	6,101,391	21,533,835	16,103,380
Other Deposits in the Form of Savings Deposits	2,216,518	1,518,080	933,581	1,205,813
Foreign Branches' Deposits Under Foreign Authorities' Insurance	849,246	705,500	112,359	50,957
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			41,743	28,337

⁽¹⁾ To be applicable for deposits held by domestic branches, the amount of the deposit insurance limit was increased from TL 50,000(exact value) to TL 100,000 (exact value) by the decision published in the Official Gazette No. 28560 dated 15 February 2013.

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	154,102	79,294
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	9,274	9,769
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code No.5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

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b. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	161,705	12,511	11,797	44,251
Swap Transactions	519,557	161,986	372,702	268,382
Futures				
Options	4,237	121,526	6,219	33,236
Other				697
Total	685,499	296,023	390,718	346,566

c. Information on Funds Borrowed:

c.1. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Domestic banks and Institutions	271,666	375,190	220,240	382,843
Foreign banks, institutions and funds	1,379,376	13,895,662	668,068	9,476,403
Total	1,651,042	14,270,852	888,308	9,859,246

c.2. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,462,322	7,862,046	869,719	5,425,214
Medium and Long-term	188,720	6,408,806	18,589	4,434,032
Total	1,651,042	14,270,852	888,308	9,859,246

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
May 2013	USD 441,000,000 + EUR 631,000,000	1 year (with 1 year extension option)
September 2013	USD 391,000,000 + EUR 651,500,000	1 year (with 1 year extension option)

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Securitization deals:

The Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization are given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as at 30 September 2013
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 16,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years ⁽¹⁾	USD 9,462,517
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 43,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 37,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000
June 2012	TIB Diversified Payment Rights Finance Company	USD 225,000,000	5 years	USD 225,000,000
June 2012	TIB Diversified Payment Rights Finance Company	EUR 125,000,000	12 years	EUR 125,000,000
December 2013	TIB Diversified Payment Rights Finance Company	USD 50,000,000	5 years	USD 50,000,000
December 2013	TIB Diversified Payment Rights Finance Company	EUR 185,000,000	5-12 years	EUR 185,000,000

⁽¹⁾ The maturity date is 06.01.2014.

d. Information on Debt Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,896,072	158,658	3,423,236	
Bonds	1,256,840	4,783,856	1,142,891	1,797,989
Total	5,152,912	4,942,514	4,566,127	1,797,989

e. Concentration of the liabilities of the Bank:

Bank's liabilities come from 57% of deposits, 10% of the funds provided under repurchase agreements, 8% of funds borrowed and 6% of the secondary subordinated securities loans. Deposits, having different properties are spread across a large customer base. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Bank's liabilities

f. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

g. Information on Lease Payables (net):

The Bank does not have any lease payables.

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h. Information on Derivative Financial Liabilities Held for Risk Management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

i. Information on Provisions:

i.1. Information on general loan loss provisions:

	Current Period ⁽⁴⁾	Prior Period
General Loan Loss Provisions	1,972,588	1,613,677
Provision for Group I Loans and Receivables	1,661,838	1,345,971
Additional Provision for Loans and Receivables with Extended Maturities	113,530	73,259
Provision for Group II Loans and Receivables	89,839	69,570
Additional Provision for Loans and Receivables with Extended Maturities	9,874	7,257
Provision for Non-cash Loans	142,185	127,290
Other	78,726	70,846

⁽⁴⁾ General provision for current year consider with the scope of temporary 8 Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

i.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 3,254.44 (full TL amount as of 31 December 2013), which is one month salary for each service year and cannot exceed the base wage ceiling for employee termination benefits. A provision for severance pay to allocate that employees need to be paid upon retirement is calculated by estimating the present value of probable amount. The bank's obligation arising from severance pay was determined in accordance with the actuarial report regulated according to "IAS 19-Employee Benefits" provisions by an independent valuation company. In this context, as of 31 December 2013 TL 338,434 provision was set aside and reflected to the financial statements. (31 December 2012: TL 342,205).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- Discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in wage was taken as 2%.
- TL 3,254.44 (full TL amount) wage ceiling, which was effective as at 31 December 2013 was taken into account for the calculations.
- The age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	342,205	235,821
Service Cost	29,612	20,043
Interest Cost	24,749	20,751
Benefits paid	(19,434)	(18,222)
Loss/(Gain) due to Settlements/Reductions/Terminations	2,473	3,475
Actuarial loss/(gain)	(41,171)	80,337
Defined benefit obligation at the end of the period	338,434	342,205

In addition to the employee termination benefits, the Bank also allocates provision for the unused vacation pay liability. As of 31 December 2013, provision for unused vacation pay is amounting to TL 26,513 (31 December 2012: TL 20,316).

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i.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans: Since foreign currency indexed loans are followed based on the rates on the lending date, the Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2013, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 52 and this amount is offset against foreign currency indexed loan balance in the financial statements.

i.4. The Bank's specific provisions for unindemnified non-cash loans balance is TL 88,971 which is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts (31 December 2012: TL 102,568).

i.5. Information on other provisions:

i.5.1. Provisions for potential risks: The Bank management provided a general provision for the possible result of the negative circumstances which may arise from any changes in economy or market conditions amounting TL 1,000,000 of this amount was had been recognized as expense in the prior periods.

i.5.2. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Act:

Within the scope of the explanations given in Section Three Note XVII, in the actuarial report which was prepared as of 31 December 2013 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 1,775,839 (31.12.2012: TL 1,778,210).

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2013, in other words, it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

- 9.8% technical deficit interest rate is used.
- After the date of 1 September 2013 taking into account the short term insurance premium is fixed by 2% and the total premium rate is 34.5%.
- CSO 1980 woman/man mortality tables are used.

Below table shows the cash values of premium and salary payments of the Bank as of 31 December 2013, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,900,737)	(4,323,548)
Net Present Value of Long Term Insurance Line Premiums	2,173,772	1,779,033
Net Present Value of Total Liabilities Other Than Health	(2,726,965)	(2,544,515)
Net Present Value of Health Liabilities	(660,534)	(581,571)
Net Present Value of Health Premiums	1,235,098	1,014,295
Net Present Value of Health Liabilities	574,564	432,724
Pension Fund Assets	376,562	333,581
Amount of Actuarial and Technical Deficit	(1,775,839)	(1,778,210)

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	253,716	210,692
Securities Portfolio	96,722	96,928
Other	26,124	25,961
Total	376,562	333,581

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

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i.5.3. Provision of credit cards and promotion of banking services applications: The Bank has recognized provisions amounting to TL 62,797 for the amount which is recognized within the framework of credit card expenses of credit card customers or promotions for banking services. (31.12.2012: TL 53,443)

i.5.4. According to the decision numbered 11-55/1438-M dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Bank, allegedly violating the fourth substance of Law numbered 4054 article number 4 by has been finalized. As a result of the investigation, 12 banks including the Bank have been decided to fine with open to judicial review by the Competition Board. In connection with the investigation, administrative fine amounting TL 146,656 is foreseen for the Bank. While the Bank assesses that activities related to the subject to the investigation are compliance with the legislation and with this respective decision, the administrative fine given by the Competition Board is calculated as TL 109,992 after the discount within the framework of the Misdemeanors Law No. 17 of 5326 Article and was paid to Directorate of Tax Administration with the condition of keeping the legal right including the demand refund and sue against the related decision. On the other hand, in December 2013, the Bank has appealed to Ankara Administrative Court requesting stay of execution and annulment of aforesaid decision. The case has not been concluded yet and the Bank has allocated the full amount of TL 109,992 of provision in the financial statements as at 31 December 2013.

i.5.5. As announced by material event disclosures dated 31 December 2012, an inspection, which is related to payments (contribution) made by Bank to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" which is founded according to Turkish Commercial Law and Civil Law, was conducted by the Bank Tax Audit Committee Inspectors for fulfilling its obligations within the framework of the Foundation Share and the relevant legislation. As a result of this interview, the amount of the related liability is a benefit with the nature of wage for the foundation members who work at the period of payment. Thus the inspection report was prepared with the claim of getting suspended income tax stoppage on payments/stamp duty on behalf of penalty for the years 2007 and 2008. According to this report, the tax penalty notice with the total amount of TL 74 million (exact value), which is the calculation of the suspended income tax/stamp duty, was served to the Bank.

Consideration related to subject, the Bank's implementation comply with the legislation, conclusion that, there is no legal basis has been reached. Across the country the lawsuit was filed against the mentioned assessments in various tax courts and the cases brought to the tax courts of the first instance, a part of decision has been decided in against of the Bank, a part of decision has been decided in favor of the Bank. As of reporting date for a major part of lawsuit, the processes have not been concluded. On the other hand, while the appeal and protest related with the decisions of Court which are against to Bank has requested by the Bank, the decisions which are against the administration has requested by the administration and trial is in progress. A portion of these cases concluded against to the Bank and the other portion of these cases in favor of the Bank.

On the other hand, as announced by material event disclosures dated 19 December 2013, in the current year on the same subject relating to tax inspection reports 2009, 2010 and 2011 periods suspended for income tax, stamp tax assessments held, and tax penalties of the notification is in progress at this time. According to this report, total tax and penalty TL 134 million (exact amount) notified to the Bank as of 11 February 2014. Regarding tax penalties mentioned. Having the right to be open to juridical review, the Bank has initiated the agreement process after assessment.

Within the scope of these developments, the Bank allocated provisions amounting to TL 209,189 as of 31 December 2013.

i.5.6. Except the provisions which is stated above, other provisions contain provision for expenses, provisions for ongoing lawsuit and other provisions set aside for miscellaneous reasons.

j. Information on Tax Liability:

j.1. Information on current tax liability:

j.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in section three notes XVIII. The remaining corporate tax liability after the deduction of the temporary tax amount stands at TL 104,681 as at 31 December 2013.

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j.1.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	104,681	351,351
Tax on Securities Income	108,952	94,727
Tax on Real Estate Income	2,355	2,124
Banking Insurance Transaction Tax	72,776	68,274
Foreign Exchange Transaction Tax	55	25
Value Added Tax Payable	1,887	1,667
Other	25,904	22,109
Total	316,610	540,277

j.1.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	57	49
Social Security Premiums - Employer	66	60
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees		
Pension Fund Membership Fees and Provisions-Employer		
Unemployment Insurance - Employees	766	636
Unemployment Insurance - Employer	1,531	1,272
Others		
Total	2,420	2,017

j.2. Information on deferred tax liabilities: None.

k. Information on payables for assets held for sale and discontinued operations:

The Bank does not have any payables for assets held for sale and discontinued operations.

l. Information on subordinated debts:

The Bank, issued 10 year-term bond with a nominal value of USD 1,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad for prior period. The Bank, issued 10 year-term bond with a nominal value of USD 400,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad. The aforementioned bond has 7.85% interest rate.

Subject of the bonds which have TL 2,984,143 balance sheet value at the end of the period. (31.12.2012: TL 1,804,451)

m. Information on shareholders' equity:

m.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	4,500,000	4,500,000

m.2. Explanation as to whether the registered share capital system ceiling is applicable at the Bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

m.3. The capital increase made in current period: None.

m.4. Information on capital increase through transfer from capital reserves during the current period: None.

m.5. Significant commitments of the Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

m.6. Information regarding the shares of the company acquired; Bank and included in the Bank did not acquire their own share.

m.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level. This contributes to the development of the Bank's income within a regularly increasing trend.

m.8. Privileges Granted to Shares:

Turkish Commercial Law and related legislation are kept conditionally;

Group (A) shares each with a nominal value of 1 Kurus have the privileges of;

- Receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- Exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

m.9. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	2,618,616		2,726,362	
Valuation Difference	2,618,616		2,726,362	
Foreign Exchange Differences				
Financial Assets Available for Sale	(590,142)	(42,776)	537,734	440,491
Valuation Difference	(737,510)	(42,776)	672,166	440,491
Deferred Tax Effect on Valuation	147,368		(134,432)	
Foreign Exchange Differences				
Total	2,028,474	(42,776)	3,264,096	440,491

III. Disclosures and Footnotes on Off Balance Sheet Items

A. Explanations to Liabilities Related to Off-Balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 17,679,967 and commitment to pay for cheque leaves amounts to TL 6,024,383. The amount of commitment for the forward purchase of assets is TL 1,735,933 and for the forward sale of assets is TL 1,741,218.

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a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items, Commitments are shown in the table of "off-balance sheet items".

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	1,494,946	1,298,250
Letters of Credit	6,421,249	4,585,247
Other Guarantees	585,062	486,721
Total	8,501,257	6,370,218

a.4. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	868,963	1,114,185
Letters of Certain Guarantees	20,761,079	15,832,634
Letters of Advance Guarantees	4,528,544	3,532,163
Letters of guarantee given to customs offices	1,952,773	1,053,538
Other Letters of Guarantee	1,399,498	718,874
Total	29,510,857	22,251,394

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	1,378,300	700,897
With Original Maturity of 1 Year or Less	178,153	74,452
With Original Maturity More Than 1 Year	1,200,147	626,445
Other Non-cash Loans	36,633,814	27,920,715
Total	38,012,114	28,621,612

a.6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	130,175	0.84	28,035	0.12	129,033	1.03	29,364	0.18
Farming and Stockbreeding	79,088	0.51	20,255	0.09	79,722	0.64	21,051	0.13
Forestry	46,815	0.30	7,780	0.03	46,541	0.37	6,790	0.04
Fishery	4,272	0.03			2,770	0.02	1,523	0.01
Industry	5,319,731	34.42	12,029,836	53.33	4,261,407	34.07	8,852,299	54.93
Mining and Quarrying	120,711	0.78	95,375	0.42	125,173	1.00	140,957	0.87
Manufacturing	3,205,632	20.74	8,663,024	38.41	2,781,625	22.24	7,069,768	43.87
Electricity, Gas, Water	1,993,388	12.90	3,271,437	14.50	1,354,609	10.83	1,641,574	10.19
Construction	2,396,869	15.51	3,349,682	14.85	2,145,979	17.16	1,978,878	12.28
Services	7,499,025	48.51	4,797,497	21.27	5,827,196	46.59	3,661,516	22.72
Wholesale and Retail Trade	4,589,459	29.69	2,189,684	9.71	3,431,829	27.44	1,696,793	10.53
Hotel and Restaurant Services	148,474	0.96	34,844	0.15	106,912	0.85	27,593	0.17
Transportation and Communication	473,894	3.07	1,473,772	6.53	403,592	3.23	981,082	6.09
Financial Institutions	736,072	4.76	567,869	2.52	1,154,367	9.23	478,675	2.97
Real Estate and Rental Services	1,004,990	6.50	249,738	1.11	255,429	2.04	268,301	1.66
Self-Employed Services	462,499	2.99	178,047	0.79	399,197	3.19	194,285	1.20
Educational Services	22,393	0.14	4,927	0.02	18,859	0.15	7,339	0.05
Health and Social Services	61,244	0.40	98,616	0.44	57,011	0.46	7,448	0.05
Others	111,402	0.72	2,349,862	10.43	143,489	1.15	1,592,451	9.89
Total	15,457,202	100.00	22,554,912	100.00	12,507,104	100.00	16,114,508	100.00

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	15,356,038	22,484,118	101,164	70,794
Letters of Guarantee	15,343,897	14,003,410	101,164	62,386
Bank Acceptances	4,262	1,490,314		370
Letters of Credit		6,413,211		8,038
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	7,879	577,183		

b. Explanation on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

c. Explanation Related to Contingencies and Commitments:

As of 31 December 2013, balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 5,347,315. As of 31 December 2013 liability of the Bank regarding the cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 6,024,383. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 660 (full amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,120 (full amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

d. Information related to transactions made on behalf of or on the account of others:

It is explained in Note XIV under Section Four.

IV. Disclosures and Footnotes on Income Statement

a. Interest Income

a.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans ⁽¹⁾				
Short-term Loans	3,098,503	277,274	3,408,410	291,981
Medium and Long-term Loans	5,032,069	1,817,992	4,405,307	1,414,306
Interest on Non-performing Loans	153,675		165,515	
Premiums Received from State Resource Utilization Support Fund				
Total	8,284,247	2,095,266	7,979,232	1,706,287

⁽¹⁾ Includes fee and commission income on cash loans.

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for the Year Ended 31 December 2013

a.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	165			
Domestic Banks	978	300	609	325
Foreign Banks	3,357	3,390	3,776	7,574
Foreign Head Offices and Branches				
Total	4,500	3,690	4,385	7,899

a.3. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	21,436	24	62,181	85
Financial Assets at Fair Value through Profit and Loss				
Financial Assets Available for Sale ⁽¹⁾	1,528,864	254,288	1,758,293	306,357
Held to Maturity Investments ⁽¹⁾	1,226,370	53	1,523,081	121
Total	2,776,670	254,365	3,343,555	306,563

⁽¹⁾ Total of TL 1,334,092 of interest income from related investments stems from inflation-indexed government bonds (31 December 2012: TL 1,326,850).

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	32,161	21,856

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	103,119	180,445	51,337	156,646
Central Bank of Turkey		4		
Domestic Banks	14,846	11,068	19,269	9,894
Foreign Banks	88,273	169,373	32,068	146,752
Foreign Head Offices and Branches				
Other Institutions	795	54,440	1	51,794
Total ⁽¹⁾	103,914	234,885	51,338	208,440

⁽¹⁾ Includes fee and commission expenses from cash loans.

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	82,326	102,841

b.3. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	323,135	261,622	369,131	69,409

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

b.4. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
TL								
Bank Deposits		26,562	37,968	9,806	728	863		75,927
Savings Deposits		229,716	2,241,926	76,839	31,908	34,536		2,614,925
Public Sector Deposits		2,172	12,503	337	16,559	30		31,601
Commercial Deposits	69	155,592	590,611	71,996	19,293	3,791		841,352
Other Institutions Deposits	5	12,225	290,340	63,844	14,765	587		381,766
Deposits with 7 Days Notice								
Total	74	426,267	3,173,348	222,822	83,253	39,807		3,945,571
FC								
Foreign Currency Deposits	35	93,644	510,713	90,083	18,917	150,828		864,220
Bank Deposits	40	17,026	13,680	1,472	3,055	8,007		43,280
Deposits with 7 Days Notice								
Precious Metals Deposits					1,240	100		1,340
Total	75	110,670	524,393	91,555	23,212	158,935		908,840
Grand Total	149	536,937	3,697,741	314,377	106,465	198,742		4,854,411

c. 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	4,241	1,348
Other	446,071	416,355
Total	450,312	417,703

d. Information on trading income/losses (Net):

	Current Period	Prior Period
Income		
Securities Trading Gains	162,213	621,023
Gains on Derivative Financial Instruments	2,651,563	2,399,211
Foreign Exchange Gains	53,784,271	46,994,070
Losses (-)		
Securities Trading Losses	6,562	3,463
Losses on Derivative Financial Instruments	2,900,957	2,882,346
Foreign Exchange Losses	53,467,262	46,538,105
Trading Income/Losses (Net)	223,266	590,390

As of 31 December 2013, income arising from foreign currency changes related to derivative transactions amounts to TL 1,967,488, and the losses amount to TL 2,272,128 and the amount of net loss is TL 304,680 (31 December 2012 profit: TL 1,642,824, loss: TL 1,921,615).

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

e. Information on other operating income:

The amount of TL 111,844 of other operating income consists of the amount with respect provision dissolved related to sales of Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. ve Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş. in the current period. The remaining 64% of the amount arises from the collections or reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The remaining part of the other operating income is composed of fees received from customers on various banking services and incomes from sale of fixed assets.

f. Information on provision for loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	833,562	601,096
Group III Loans and Receivables	57,998	61,305
Group IV Loans and Receivables	221,136	210,817
Group V Loans and Receivables	554,428	328,974
General Loan Provision Expenses ⁽¹⁾	385,633	373,512
Provision Expenses for Potential Risks		50,000
Impairment Losses on Marketable Securities	16,263	4
Financial Assets at Fair Value through Profit and Loss	16,263	4
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	10,458	26,960
Associates		
Subsidiaries	10,458	26,960
Jointly Controlled Entities		
Held to Maturity Investments		
Others	221,102	157,550
Total	1,467,018	1,209,122

⁽¹⁾ General provisions for current period were allocated with the scope temporary 8. substance of the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions.

g. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses ⁽¹⁾	2,275,548	1,821,151
Reserve for Employee Termination Benefits	37,400	106,384
Bank Pension Fund Deficit Provisions		440,051
Impairment Losses on Tangible Assets	3,325	288
Depreciation Expenses of Tangible Assets	199,016	177,494
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	95,708	68,548
Impairment Losses on Equity Accounted Investments		
Impairment Losses on Assets to be Disposed	1,231	1,783
Depreciation Expenses of Assets to be Disposed	8,041	9,200
Impairment Losses on Assets Held for Sale		
Other Operating Expenses	1,439,198	1,221,673
Operational Lease Related Expenses	224,595	176,599
Repair and Maintenance Expenses	22,014	19,821
Advertisement Expenses ⁽²⁾	169,044	149,948
Other Expenses ⁽²⁾	1,023,545	875,305
Loss on Sale of Assets	101,786	4,312
Other ⁽³⁾	801,266	633,422
Total	4,962,519	4,484,306

⁽¹⁾ Current period includes employee provisions for the dividend to be distributed etc and prior period includes the provision for possible wage increase taking into account of renewing collective bargaining agreements which was not completed.

⁽²⁾ Expense amount of the Bank's donation, contributions and social responsibility projects is TL 24,327 in the current period.

⁽³⁾ In the current period, it also includes the amount of TL 319,181 provision explained in the second and third paragraph of Note II-i.5.4/i5.5 under section five.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

h. Information on Profit/Loss before taxes including Profit/Loss from continuing and discontinued operations

The Bank's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 6,655,430, net fee and commission income of TL 1,919,086 and the other operation expenses amount to TL 4,962,519.

i. Information on Provision for taxes from continuing and discontinued operations

As of 31 December 2013 the amount of the Bank's tax provision is TL 693,334 and the amount consists of current tax expense that is amounting to TL 363,380 and consists of deferred tax income amounting TL 329,474.

j. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Bank's net profit generated from its continuing operations amounts to TL 3,163,365.

k. Information on net period profit/loss:

k.1. **Income and expenses resulting from ordinary banking activities:** There is no specific issue required to be disclosed for the Bank's performance for the period between 1 January 2013 - 31 December 2013.

k.2. **Effects of changes in accounting estimates on the current and future periods' profit/loss:** There is no issue to be disclosed

k.3. "The other" item which is located at the bottom of received fees and commissions in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

k.4. Explanation on other items on the income statement:

Other items do not exceed 10% of the total amount of the income statement.

V. Disclosures and Footnotes on Statement of Changes in Shareholders' Equity

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 2,044,830 and the balance of extraordinary reserves is TL 10,177,540.

In the current period, the change in other reserves item mainly is a result of the conversion profit of foreign branches.

The details of revaluation surplus of securities are shared in the Note no. V-II-m.9. TL 147,368 of this amount is the deferred tax effect on available for sale securities (31 December 2012: (TL 134,432)).

VI. Disclosures and Footnotes on Statements of Cash Flows

The operating profit of TL 5,242,758 before the changes in operating assets and liabilities consists of TL 13,769,237 of interest received predominantly from loans and securities, and TL 6,778,433 of interest predominantly paid on mainly deposits, money market operations and funds borrowed by the Bank. The account "other" classified under operating profit other than fees and commissions paid, cash payments to personnel and service suppliers and taxes paid consists of other operating expenses and foreign exchange gains/losses accounts is TL 1,130,680 (31.12.2012: TL 3,553,905).

Net Increase (Decrease) in Other Liabilities account classified in changes of assets and liabilities resulting from the changes in Funds Provided Under Repurchase Agreements, miscellaneous payables, other liabilities and taxes, duties, charges, and premiums is TL 7,236,821(31.12.2012: 3,585,875).

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 595,762 as of 31 December 2013 (31 December 2012: (TL (116,937))).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, precious metals, money market operations as well as demand and timed up to 3 months are defined as cash and cash equivalents.

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**Notes to the Unconsolidated Financial Statements
for the Year Ended 31 December 2013**

Cash and cash equivalents at beginning of the period:

	Current Period 31.12.2012	Prior Period 31.12.2011
Cash	4,724,573	6,920,592
Cash in TL and Foreign Currency	1,657,796	1,120,445
Central Bank of Turkey and Other	3,066,777	5,800,147
Cash Equivalents	1,287,370	2,178,731
Banks' Demand Deposits and Time Deposits Up to 3 Months	1,287,370	2,135,604
Money Market Receivables		43,127
Total Cash and Cash Equivalents	6,011,943	9,099,323

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

Cash and cash equivalents at end of the period:

	Current Period 31.12.2013	Prior Period 31.12.2012
Cash	8,221,154	4,724,573
Cash in TL and Foreign Currency	2,152,329	1,657,796
Central Bank of Turkey and Other	6,068,825	3,066,777
Cash Equivalents	1,386,845	1,287,370
Banks' Demand Deposits and Time Deposits Up to 3 Months	1,386,845	1,287,370
Money Market Receivables		
Total Cash and Cash Equivalents	9,607,999	6,011,943

VII. Disclosures and Footnotes on the Bank's Risk Group

a. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Bank's risk group

Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	343,531	1,191,186	1		1,055,544	198,270
Balance at the end of the period	841,304	1,308,883			679,741	240,119
Interest and commission income received	30,338	1,082			49,003	1,688

Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	538,591	2,188,952	2	19	892,899	148,663
Balance at the end of the period	343,531	1,191,186	1		1,055,544	198,270
Interest and commission income received	18,782	523			48,378	1,703

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

a.2. Information on deposits held by the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Individuals and Corporates in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	1,868,581	1,430,686	385,728	549,679	1,609,009	1,725,317
Balance at the end of the period	1,149,202	1,868,581	352,420	385,728	2,360,288	1,609,009
Interest expense on deposits	74,992	84,790	45,462	46,369	82,792	84,671

a.3. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Individuals and Corporates in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period	526,529	557,190			4,708	188,145
End of the period	1,208,134	526,529				4,708
Total Profit/Loss	67,916	(15,547)			308	(2,438)
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

b. Disclosures for Bank's risk group:

b.1. The relations of the Bank with the entities controlled by the Bank and its related parties regardless of whether there are any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 1.13%, while the ratio to the overall assets is 0.72%; the ratio of deposits of the risk group corporations to the overall deposits is 3.19%, while the ratio to overall liabilities is 1.83%. Comparable price method is used in pricing the transactions.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

The Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş., when required. The Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 29 mutual funds, which were founded by the Bank, 28 of them are managed by İş Portföy Yönetimi A.Ş. and 1 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the key management personnel

Benefits paid to key management personnel in the current period amount to TL 15,401 (31 December 2012: TL 15,193).

VIII. Disclosures on the Bank's Domestic, Foreign, Off-Shore Branches or Associates and Foreign Representative Offices

	Number	Employees			
Domestic Branches ⁽¹⁾	1,289	23,868			
Foreign Representative Offices	1	2	Country of Incorporation		
	1	1	People's Republic of China		
Foreign Branches			Egypt	Total Assets	Legal Capital
	1	34	England	8,759,834	349
	15	174	TRNC	1,179,536	80,000
	1	20	Iraq	316,975	15,044
	1	12	Georgia	38,570	15,831
	1	8	Kosovo	36,049	23,525
Off-Shore Branches	1	10	Bahrain	8,989,901	

⁽¹⁾ The Branches located in Free Trade Zones in Turkey are included among domestic branches.

IX. Subsequent Events

Within the framework of the resolution made by the Bank's Board of Directors on 30 September 2013 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 200,000, with a maturity of 127 days, bank bills with a nominal value of TL 600,000 with a maturity of 232 days, and have issued discount bonds with a nominal value of TL 200,000 with a maturity of 370 days on January 2013. The redemption date of the related bills are 11 June 2014 and 24 September 2014, discount bonds are 09 February 2015 and the interest rates are 10.49%, 11.13% and 11.47% respectively (annual simple interest).

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

SECTION SIX: OTHER EXPLANATIONS

I. Explanations on the Bank's Credit Ratings:

	Rating	Outlook ⁽¹⁾	Explanation
MOODY'S			
Bank Financial Strength	D+	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Baa3	Stable	The Highest rating depending on the country ceiling for Turkey in this category.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	P-3	-	The Highest rating depending on the country ceiling for Turkey in this category.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Long-term Local Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is "good".
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB+	Negative	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Long-term National Scale Rating	trAA+	-	Indicates that its capacity to meet its financial commitments on the obligation is strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 20 May 2013, Fitch Ratings: 31 October 2013, Standard & Poor's: 11 February 2014

⁽¹⁾ Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

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Notes to the Unconsolidated Financial Statements for the Year Ended 31 December 2013

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, there has not been the scope of the special audit to the Bank in the current period. At Bank BRSA, CBRT, the Capital Markets Board, the Competition Authority is subject to public scrutiny, including public institutions such as. In relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report:

The Bank's unconsolidated financial statements and footnotes to be disclosed to public as of 31 December 2013 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the financial statements described in the fourth paragraph of the audit report dated 12 February 2014, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2013 and the result of its operations and cash flows for the year then ended.

II. Explanations and Footnotes of the Independent Auditors

There are no significant issues or necessary disclosures or notes in relation to the Bank's operations other than those mentioned above.

Consolidated Financial Statements as of and for 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 A.Ş.
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To the Board of Directors of Türkiye İş Bankası Anonim Şirketi:

We have audited the consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") and its financial affiliates (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 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 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.

Our responsibility, as independent auditors, 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 no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our audit opinion.

The accompanying consolidated financial statements as of 31 December 2013 include a general provision amounting TL 1,000,000 thousands, which had been recognized as expense in the prior periods 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 İş Bankası A.Ş. 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 the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

İstanbul
12 February 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

Murat ALSAN
Partner, SMMM

Additional paragraph for convenience translation to English:

As explained in Note I in Section Three, the accompanying 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 İŞ BANKASI A.Ş.

The Consolidated Financial Report as of and for the Year Ended 31 December 2013

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
Telephone: 0212 316 00 00
Fax: 0212 316 09 00
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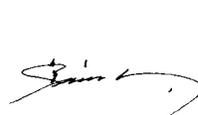
The consolidated financial report as of and for the year ended 31 December 2013 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections:

GENERAL INFORMATION ABOUT THE PARENT BANK
CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
INFORMATION ON THE FINANCIAL POSITION OF THE GROUP
DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
OTHER EXPLANATIONS
EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

Associate, subsidiaries and special purpose entities whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ ANADOLU HAYAT EMEKLİLİK A.Ş. CAMIŞ MENKUL DEĞERLER A.Ş. CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK) EFES VARLIK YÖNETİM A.Ş. İŞ INVESTMENTS GULF LTD. İŞ B TİPİ YATIRIM ORTAKLIĞI A.Ş. İŞ FAKTORİNG A.Ş. İŞ FİNANSAL KİRALAMA A.Ş. İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. İŞ PORTFÖY YÖNETİMİ A.Ş. İŞ YATIRIM MENKUL DEĞERLER A.Ş. İŞBANK AG MAXIS INVESTMENTS LTD. MİLLİ REASÜRANS T.A.Ş. TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. TÜRKİYE SINAI KALKINMA BANKASI A.Ş. YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	ARAP-TÜRK BANKASI A.Ş.
Special Purpose Entities TIB CARD RECEIVABLES FUNDING COMPANY LIMITED TIB DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	

The consolidated financial statements and, related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.

					
Prof. Dr. Savaş Taşkent Member of the Board and the Audit Committee	Füsun Tümsavaş Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	H. Ersin Özince Chairman of the Board of Directors	Ali Tolga Ünal Head of Financial Management Division	Mahmut Magemizoğlu Deputy Chief Executive In Charge of Financial Reporting	Adnan Bali Chief Executive Officer

The authorized contact person for questions on this consolidated financial report:
Name - Surname/Title: Süleyman H. Özcan/Head of Investor Relations Division
Phone No: +90 212 316 16 02
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investorrelations@isbank.com.tr

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TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

SECTION ONE: GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank" or "the Parent Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. The Bank status has not been changed since its establishment.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Bank's Risk Group

As of 31 December 2013, 40.16% of the Bank's shares are owned by Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund (Vakıf), 28.09% are owned by the Republican People's Party-CHP (Atatürk's shares) and 31.75% are on free float. (Central Registry Agency data as of 31 December 2012: Vakıf 40.73%, CHP 28.09%, free float 31.18%).

III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Füsun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee, Chairman of the Corporate Governance Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee and Member of the Corporate Governance Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcaloğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director

Chief Executive Officer and Deputy Chief Executives:

Name and Surname ⁽¹⁾	Areas of Responsibility
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product; SME and Corporate Banking Management, Free Zone Branches
Hakan Aran	Alternative Distribution Channels Operations, Information Technology Management
Levent Korba	Basic Banking Operations, Retail Loan and Card Operations, Support Services and Purchasing, Foreign Trade and Commercial Loan Operations, Internal Operations Management, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Loans Portfolio Management, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management, Coordination of Consumer Relations Officer
Senar Akkuş	Treasury Management, Corporate Communication Management, Social Responsibility Committee and Member of Risk Committee
İlhami Koç	Associates, Cross-Border Banking and Foreign Subsidiaries, Branches and Representative Offices, Capital Markets Management and Member of Risk Committee ⁽²⁾
Yılmaz Ertürk	Economic Research, International Financial Institutions
Ergün Yorulmaz	Legal Counsel, Financial Analysis, Commercial and Corporate Loans and Retail Credit Monitoring and Management

⁽¹⁾ As of 27 December 2013, Aydın Süha Önder has resigned from Bank.

⁽²⁾ İlhami Koç, participate in the meetings of the Risk Committee on a consolidated basis.

The Parent Bank's shares attributable to the Directors and members of the Audit Committee, to the Chief Executive Officer and the Deputy Chief Executives are of minor importance.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

IV. Information on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,807,003	40.16%	1,807,003	
Cumhuriyet Halk Partisi - Republican People's Party (Atatürk's Shares)	1,264,142	28.09%	1,264,142	

V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Parent Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and 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

Bank's are obligated to prepare consolidated financial statements for credit institutions and financial subsidiaries for creating legal restrictions on a consolidated basis based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is not any difference between the related Communiqué and the consolidation operations that is based on Turkish Accounting Standards. The consolidated financial statement includes the subsidiaries of the Bank which are credit institutions or financial institutions accordance with the BRSA regulations. As of current there is no credit institution or financial institution subsidiaries which are excluded in the scope of the consolidation.

The information about the organizations in the scope of the consolidation:

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CJSC İŞBANK
- EFES VARLIK YÖNETİM A.Ş.
- IS INVESTMENTS GULF LTD.
- İŞ B TİPİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ FAKTORİNG A.Ş.
- İŞ FİNANSAL KİRALAMA A.Ş.
- İŞ GAYİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞBANK AG
- MAXIS INVESTMENTS LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

and Special Purpose Entities,

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are fully consolidated,

Its associate;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method.

TÜRKİYE İŞ BANKASI A.Ş. Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Consolidated companies are active in the areas of banking, insurance and reinsurance, private pensions, finance leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management. Those companies are explained below.

Anadolu Anonim Türk Sigorta Şirketi

The Company was established in 1925 and operates in almost all non-life insurance. The headquarter of the Company is in Istanbul. The Company's shares are traded in the Borsa İstanbul A.Ş.

Anadolu Hayat Emeklilik A.Ş.

The Company was founded in 1990 and its headquarter is in Istanbul. The company's main activities are private individual or group pension and life insurance. There are 24 private pension funds founded by the company. The company's shares are traded in the Borsa İstanbul A.Ş.

Camış Menkul Değerler A.Ş.

Founded in 1984, the Company operates in the capital market as a brokerage house.

CJSC İşbank

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Volga, Saint-Petersburg, and Novosibirsk. The Bank gives banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

Efes Varlık Yönetim A.Ş.

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is in İstanbul.

IS Investments Gulf Ltd.

The purpose of the Company, which was founded in Dubai in the year 2011, is to operate in capital markets in the gulf region.

İş B Tipi Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in the year 1995, is portfolio management. The Company's shares are traded in the Borsa İstanbul A.Ş. since April 1996. In 2012, the Company has merged with TSKB Yatırım Ortaklığı A.Ş. and as at May 2013 the name of the Company was changed to İş B Tipi Yatırım Ortaklığı A.Ş.

İş Faktoring A.Ş.

The field of operation of the Company, which operates in the factoring sector since 1993, is domestic and foreign factoring operations. The Company's headquarter is in İstanbul. As at April 2013 the name of the Company was changed to İş Faktoring A.Ş.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its business in 1988. The headquarters of the Company is in Istanbul. The Company's shares are traded in the Borsa İstanbul A.Ş.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company whose main field of activity is investing in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments is conducting its business in the sector as a real estate investment trust since 1999. The Company's shares are traded in the Borsa İstanbul A.Ş. since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Having started its venture capital business in the year 2000, the Company operates in five fields; informatics, sound and communication systems, producing and commerce of orthopedic products, sport clothing wholesale and retail sales and restaurant management. The company's shares are traded in the Borsa İstanbul A.Ş. since the year 2004.

İş Portföy Yönetimi A.Ş.

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the company offers portfolio management and investment consulting services only to corporate investors.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of intermediary, corporate finance, investment consulting and private portfolio management services. The Company's shares are traded in the Borsa İstanbul A.Ş. since May 2007

İşbank AG

İşbank AG was founded to carry out the banking transactions in Europe. İşbank AG has 17 branches in total, 13 branches in Germany, 1 branch in the Netherlands, 1 branch in France, 1 branch in Switzerland and 1 branch in Bulgaria.

Maxis Investments Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in activities in foreign capital markets. As of December 2013, the Company's title is changed to Maxis Investments Ltd. (previous title is Maxis Securities Ltd.)

Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services is located in Istanbul.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company's shares are traded in the Borsa İstanbul A.Ş. since April 2010.

Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the Borsa İstanbul A.Ş.

Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in İstanbul in 1976 has merged with TSKB Menkul Değerler A.Ş. The purpose of the Company is to engage in capital market operations stated in its articles of association.

VII. 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

None.

VIII. Written Policies on Assessment of Ensuring Compliance on Market Discipline, Disclosure Obligations, Frequency and Accuracy of the Related Disclosures

The Parent Bank has written policies on assessment of ensuring compliance on market discipline, disclosure obligations, frequency and accuracy of related disclosures. The mentioned policy which is agreed by Board of Directors' minutes decision numbered 35386 and dated on 29 April 2009, can be obtained from the Parent Bank's web site.

TÜRKİYE İŞ BANKASI A.Ş.
SECTION TWO: CONSOLIDATED FINANCIAL STATEMENTS
I. Consolidated Balance Sheet (Statement of Financial Position)-
Assets

ASSETS	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-a	5,265,768	18,143,973	23,409,741	2,619,873	13,491,254	16,111,127
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	V-I-b	1,642,222	1,293,803	2,936,025	1,668,204	534,437	2,202,641
2.1 Financial Assets Held for Trading		1,642,222	1,293,803	2,936,025	1,668,204	534,437	2,202,641
2.1.1 Government Debt Securities		1,132,898	5,901	1,138,799	977,602	5,711	983,313
2.1.2 Equity Securities		55,273	-	55,273	195,388	-	195,388
2.1.3 Derivative Financial Assets Held for Trading		40,316	1,248,518	1,288,834	154,780	487,743	642,523
2.1.4 Other Marketable Securities		413,735	39,384	453,119	340,434	40,983	381,417
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	V-I-c	478,503	4,707,508	5,186,011	2,842,903	1,708,990	4,551,893
IV. MONEY MARKET PLACEMENTS		140,375	-	140,375	81,675	-	81,675
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		128,447	-	128,447	72,968	-	72,968
4.3 Receivables from Reverse Repurchase Agreements		11,928	-	11,928	8,707	-	8,707
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	V-I-d	27,034,185	7,241,218	34,275,403	24,817,136	7,356,689	32,173,825
5.1 Equity Securities		93,573	3,209	96,782	134,271	3,209	137,480
5.2 Government Debt Securities		26,162,475	5,817,614	31,980,089	24,337,618	5,777,789	30,115,407
5.3 Other Marketable Securities		778,137	1,420,395	2,198,532	345,247	1,575,691	1,920,938
VI. LOANS AND RECEIVABLES	V-I-e	89,370,339	56,365,932	145,736,271	73,101,703	42,116,780	115,218,483
6.1 Loans and Receivables		88,862,000	56,327,919	145,189,919	72,646,147	42,072,632	114,718,779
6.1.1 Loans to the Bank's Risk Group		136,938	431,572	568,510	300,173	267,004	567,177
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		88,725,062	55,896,347	144,621,409	72,345,974	41,805,628	114,151,602
6.2 Non-Performing Loans		2,325,180	151,153	2,476,333	2,030,689	123,793	2,154,482
6.3 Specific Provisions (-)		1,816,841	113,140	1,929,981	1,575,133	79,645	1,654,778
VII. FACTORING RECEIVABLES		794,055	152,056	946,111	987,006	27,934	1,014,940
VIII. HELD TO MATURITY INVESTMENTS (Net)	V-I-f	7,712,750	15,697	7,728,447	11,040,338	8,441	11,048,779
8.1 Government Debt Securities		7,704,816	-	7,704,816	11,033,267	-	11,033,267
8.2 Other Marketable Securities		7,934	15,697	23,631	7,071	8,441	15,512
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-g	767,872	238	768,110	778,066	215	778,281
9.1 Associates Accounted for Using the Equity Method		96,644	-	96,644	86,722	-	86,722
9.2 Unconsolidated Associates		671,228	238	671,466	691,344	215	691,559
9.2.1 Financial Investments		-	-	-	-	-	-
9.2.2 Non-Financial Investments		671,228	238	671,466	691,344	215	691,559
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-h	3,406,441	-	3,406,441	3,620,153	-	3,620,153
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		3,406,441	-	3,406,441	3,620,153	-	3,620,153
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	V-I-i	-	-	-	-	-	-
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Jointly Controlled Entities		-	-	-	-	-	-
11.2.1 Jointly Controlled Financial Entities		-	-	-	-	-	-
11.2.2 Jointly Controlled Non-Financial Entities		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-j	470,502	1,563,620	2,034,122	312,578	1,071,877	1,384,455
12.1 Finance Lease Receivables		551,498	1,775,923	2,327,421	373,251	1,233,374	1,606,625
12.2 Operating Lease Receivables		757	-	757	3,125	-	3,125
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		81,753	212,303	294,056	63,798	161,497	225,295
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	V-I-k	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-l	2,137,896	96,432	2,234,328	2,056,546	83,238	2,139,784
XV. INTANGIBLE ASSETS (Net)	V-I-m	288,050	4,967	293,017	187,836	1,791	189,627
15.1 Goodwill		35,974	-	35,974	35,974	-	35,974
15.2 Other		252,076	4,967	257,043	151,862	1,791	153,653
XVI. INVESTMENT PROPERTY (Net)	V-I-n	1,342,182	-	1,342,182	1,108,704	-	1,108,704
XVII. TAX ASSETS	V-I-o	676,790	15,974	692,764	729,844	8,553	738,397
17.1 Current Tax Asset		18,785	7,436	26,221	29,121	5,303	34,424
17.2 Deferred Tax Asset		658,005	8,538	666,543	700,723	3,250	703,973
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	V-I-p	65,777	2,872	68,649	73,295	-	73,295
18.1 Held for Sale		65,777	2,872	68,649	73,295	-	73,295
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-r	8,484,903	1,936,240	10,421,143	7,509,778	1,128,902	8,638,680
TOTAL ASSETS		150,078,610	91,540,530	241,619,140	133,535,638	67,539,101	201,074,739

II. Consolidated Balance Sheet - (Statement of Financial Position) - Liabilities and Equity

LIABILITIES	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-a	65,359,750	56,478,048	121,837,798	63,574,673	42,436,187	106,010,860
1.1 Deposits from the Bank's Risk Group		892,591	1,476,460	2,369,051	697,009	1,594,374	2,291,383
1.2 Other		64,467,159	55,001,588	119,468,747	62,877,664	40,841,813	103,719,477
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-b	696,001	501,344	1,197,345	393,716	366,724	760,440
III. FUNDS BORROWED	V-II-c	3,111,333	24,112,363	27,223,696	1,846,350	17,226,437	19,072,787
IV. MONEY MARKET FUNDS		20,823,398	4,176,477	24,999,875	13,673,648	3,357,183	17,030,831
4.1 Interbank Money Market Funds		-	-	-	-	19,458	19,458
4.2 Istanbul Stock Exchange Money Market Funds		2,403,976	-	2,403,976	2,180,946	-	2,180,946
4.3 Funds Provided Under Repurchase Agreements		18,419,422	4,176,477	22,595,899	11,492,702	3,337,725	14,830,427
V. MARKETABLE SECURITIES ISSUED (Net)	V-II-d	5,134,330	4,942,514	10,076,844	4,678,374	1,797,989	6,476,363
5.1 Bills		3,896,072	158,658	4,054,730	3,487,256	-	3,487,256
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		1,238,258	4,783,856	6,022,114	1,191,118	1,797,989	2,989,107
VI. FUNDS		946	5,008	5,954	1,909	7,836	9,745
6.1 Borrower funds		946	5,008	5,954	1,909	7,836	9,745
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		10,448,283	701,857	11,150,140	8,590,411	594,067	9,184,478
VIII. OTHER LIABILITIES	V-II-e	1,508,917	3,308,205	4,817,122	1,973,307	2,911,687	4,884,994
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	V-II-f	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-g	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XII. PROVISIONS	V-II-h	10,094,287	824,681	10,918,968	9,746,437	513,620	10,260,057
12.1 General Loan Loss Provisions		2,073,263	27,339	2,100,602	1,697,391	7,762	1,705,153
12.2 Provision for Restructuring		-	-	-	-	-	-
12.3 Reserves for Employee Benefits		411,438	2,058	413,496	405,404	1,287	406,691
12.4 Insurance Technical Reserves (Net)		4,029,494	771,746	4,801,240	4,165,394	486,019	4,651,413
12.5 Other Provisions		3,580,092	23,538	3,603,630	3,478,248	18,552	3,496,800
XIII. TAX LIABILITY	V-II-i	402,334	3,536	405,870	624,437	7,416	631,853
13.1 Current Tax Liability		399,735	3,536	403,271	618,004	6,579	624,583
13.2 Deferred Tax Liability		2,599	-	2,599	6,433	837	7,270
XIV. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-j	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED DEBT	V-II-k	-	3,090,902	3,090,902	-	1,893,576	1,893,576
XVI. SHAREHOLDERS' EQUITY	V-II-l	25,809,518	85,108	25,894,626	24,259,134	599,621	24,858,755
16.1 Paid-in Capital		4,500,000	-	4,500,000	4,500,000	-	4,500,000
16.2 Capital Reserves		2,360,886	(31,790)	2,329,096	3,787,286	474,466	4,261,752
16.2.1 Share premium		33,940	-	33,940	33,940	-	33,940
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Value Increase Fund		712,187	(31,790)	680,397	2,138,587	474,466	2,613,053
16.2.4 Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(1,179)	-	(1,179)	(1,179)	-	(1,179)
16.2.8 Hedging Reserves (Effective Portion)		-	-	-	-	-	-
16.2.9 Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		1,615,938	-	1,615,938	1,615,938	-	1,615,938
16.3 Profit Reserves		13,153,484	157,434	13,310,918	10,334,091	68,583	10,402,674
16.3.1 Legal Reserves		2,286,486	-	2,286,486	2,031,309	-	2,031,309
16.3.2 Statutory Reserves		59,539	-	59,539	48,553	-	48,553
16.3.3 Extraordinary Reserves		10,792,384	20,360	10,812,744	8,309,493	9,497	8,318,990
16.3.4 Other Profit Reserves		15,075	137,074	152,149	(55,264)	59,086	3,822
16.4 Profit or Loss		2,672,230	(51,068)	2,621,162	2,784,682	17,830	2,802,512
16.4.1 Prior Years' Profit/Loss		(621,726)	6,967	(614,759)	(613,983)	4,473	(609,510)
16.4.2 Current Period Profit/Loss		3,293,956	(58,035)	3,235,921	3,398,665	13,357	3,412,022
16.5 Non-controlling Interest	V-II-m	3,122,918	10,532	3,133,450	2,853,075	38,742	2,891,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		143,389,097	98,230,043	241,619,140	129,362,396	71,712,343	201,074,739

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III. Consolidated Off-Balance Sheet Items

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSAND TL					
			CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		V-III	81,418,598	108,787,611	190,206,209	64,691,713	80,056,402	144,748,115
I. GUARANTEES AND SURETYSHIPS			16,110,063	23,659,989	39,770,052	12,908,107	17,189,100	30,097,207
1.1.	Letters of Guarantee		15,952,429	14,662,821	30,615,250	12,753,135	10,194,326	22,947,461
1.1.1.	Guarantees Subject to State Tender Law		767,823	3,865,351	4,633,174	788,915	2,923,182	3,712,097
1.1.2.	Guarantees Given for Foreign Trade Operations		2,010,806	5,064,059	7,074,865	1,147,044	2,529,524	3,676,568
1.1.3.	Other Letters of Guarantee		13,173,800	5,733,411	18,907,211	10,817,176	4,741,620	15,558,796
1.2.	Bank Acceptances		4,262	1,490,684	1,494,946	19,739	1,278,511	1,298,250
1.2.1.	Import Letters of Acceptance		-	191,778	191,778	-	113,096	113,096
1.2.2.	Other Bank Acceptances		4,262	1,298,906	1,303,168	19,739	1,165,415	1,185,154
1.3.	Letters of Credit		-	6,903,157	6,903,157	-	5,220,486	5,220,486
1.3.1.	Documentary Letters of Credit		-	4,687,003	4,687,003	-	3,899,886	3,899,886
1.3.2.	Other Letters of Credit		-	2,216,154	2,216,154	-	1,320,600	1,320,600
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.	Factoring Guarantees		59,639	12,808	72,447	69,042	18,083	87,125
1.8.	Other Guarantees		93,733	590,519	684,252	66,191	477,694	543,885
1.9.	Other Suretyships		-	-	-	-	-	-
II. COMMITMENTS			37,582,606	15,533,980	53,116,586	33,064,869	9,356,149	42,421,018
2.1.	Irrevocable Commitments		37,093,928	8,593,817	45,687,745	32,236,265	5,466,913	37,703,178
2.1.1.	Forward Asset Purchase Commitments		353,660	3,636,836	3,990,496	99,081	796,191	895,272
2.1.2.	Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.	Capital Commitment for Associates and Subsidiaries		-	-	-	120	-	120
2.1.4.	Loan Granting Commitments		7,819,183	1,367,072	9,186,255	5,838,616	918,133	6,756,749
2.1.5.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheque Payments		6,024,383	-	6,024,383	6,124,562	-	6,124,562
2.1.8.	Tax and Fund Liabilities from Export Commitments		16,821	-	16,821	13,899	-	13,899
2.1.9.	Commitments for Credit Card Expenditure Limits		17,679,967	-	17,679,967	15,742,457	-	15,742,457
2.1.10.	Commitments for Credit Cards and Banking Services Promotions		90,239	-	90,239	76,548	-	76,548
2.1.11.	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments		1,695	-	1,695	52,774	-	52,774
2.1.13.	Other Irrevocable Commitments		5,107,980	3,589,909	8,697,889	4,288,208	3,752,589	8,040,797
2.2.	Revocable Commitments		488,678	6,940,163	7,428,841	828,604	3,889,236	4,717,840
2.2.1.	Revocable Loan Granting Commitments		488,678	6,940,163	7,428,841	828,604	3,889,236	4,717,840
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS			27,725,929	69,593,642	97,319,571	18,718,737	53,511,153	72,229,890
3.1.	Derivative Financial Instruments held for risk management		-	-	-	-	-	-
3.1.1.	Fair Value Hedges		-	-	-	-	-	-
3.1.2.	Cash Flow Hedges		-	-	-	-	-	-
3.1.3.	Net Foreign Investment Hedges		-	-	-	-	-	-
3.2.	Derivative Financial Instruments Held for Trading		27,725,929	69,593,642	97,319,571	18,718,737	53,511,153	72,229,890
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		3,909,499	8,134,835	12,044,334	4,740,295	9,404,096	14,144,391
3.2.1.1.	Forward Foreign Currency Buy Transactions		2,700,765	3,303,958	6,004,723	3,386,864	3,699,476	7,086,340
3.2.1.2.	Forward Foreign Currency Sell Transactions		1,208,734	4,830,877	6,039,611	1,353,431	5,704,620	7,058,051
3.2.2.	Currency and Interest Rate Swaps		20,325,006	50,359,859	70,684,865	11,322,852	35,262,471	46,585,323
3.2.2.1.	Currency Swap Buy Transactions		8,276,302	15,023,163	23,299,465	1,260,755	8,659,050	9,919,805
3.2.2.2.	Currency Swap Sell Transactions		8,213,744	14,888,196	23,101,940	2,874,097	6,344,991	9,219,088
3.2.2.3.	Interest Rate Swap Buy Transactions		1,917,480	10,224,250	12,141,730	3,594,000	10,129,215	13,723,215
3.2.2.4.	Interest Rate Swap Sell Transactions		1,917,480	10,224,250	12,141,730	3,594,000	10,129,215	13,723,215
3.2.3.	Currency, Interest Rate and Security Options		3,478,120	10,635,424	14,113,544	2,597,625	8,403,163	11,000,788
3.2.3.1.	Currency Call Options		1,708,133	4,108,815	5,816,948	1,435,814	2,799,876	4,235,690
3.2.3.2.	Currency Put Options		1,647,633	4,151,335	5,798,968	1,009,761	3,207,375	4,217,136

TÜRKİYE İŞ BANKASI A.Ş.

III. Consolidated Off-Balance Sheet Items

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSAND TL					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
3.2.3.3 Interest Rate Call Options		60,000	1,187,637	1,247,637	60,000	1,197,956	1,257,956
3.2.3.4 Interest Rate Put Options		60,000	1,187,637	1,247,637	60,000	1,197,956	1,257,956
3.2.3.5 Securities Call Options		1,177	-	1,177	16,032	-	16,032
3.2.3.6 Securities Put Options		1,177	-	1,177	16,018	-	16,018
3.2.4 Currency Futures		7,496	24,582	32,078	16,146	20,980	37,126
3.2.4.1 Currency Buy Futures		4,150	11,652	15,802	16,146	3,180	19,326
3.2.4.2 Currency Sell Futures		3,346	12,930	16,276	-	17,800	17,800
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Buy Futures		-	-	-	-	-	-
3.2.5.2 Interest Rate Sell Futures		-	-	-	-	-	-
3.2.6 Other		5,808	438,942	444,750	41,819	420,443	462,262
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		218,665,767	138,404,836	357,070,603	215,557,367	91,758,474	307,315,841
IV. ITEMS HELD IN CUSTODY		61,546,050	10,623,597	72,169,647	96,325,940	8,255,361	104,581,301
4.1 Customers' securities held		-	-	-	-	-	-
4.2 Investment securities held in custody		42,972,176	829,393	43,801,569	80,662,840	630,739	81,293,579
4.3 Cheques received for collection		13,468,159	3,579,302	17,047,461	11,418,874	2,385,085	13,803,959
4.4 Commercial notes received for collection		2,449,009	4,578,604	7,027,613	2,059,401	3,396,629	5,456,030
4.5 Other assets received for collection		12,832	37,853	50,685	4,352	32,246	36,598
4.6 Assets received for public offering		2,541	-	2,541	2,541	-	2,541
4.7 Other items under custody		1,213,106	1,598,445	2,811,551	1,198,530	1,810,597	3,009,127
4.8 Custodians		1,428,227	-	1,428,227	979,402	65	979,467
V. PLEDGED ITEMS		157,119,717	127,781,239	284,900,956	119,231,427	83,503,113	202,734,540
5.1 Marketable securities		5,342,002	10,667,762	16,009,764	2,050,982	7,728,524	9,779,506
5.2 Guarantee notes		5,048,500	9,659,691	14,708,191	4,252,893	7,398,137	11,651,030
5.3 Commodity		42,996,498	10,205,230	53,201,728	32,171,862	2,975,987	35,147,849
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estates		95,746,451	71,599,711	167,346,162	77,620,350	44,868,184	122,488,534
5.6 Other pledged items		7,986,266	25,648,845	33,635,111	3,135,340	20,485,074	23,620,414
5.7 Pledged items-depository		-	-	-	-	47,207	47,207
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		300,084,365	247,192,447	547,276,812	280,249,080	171,814,876	452,063,956

TÜRKİYE İŞ BANKASI A.Ş.

IV. Consolidated Income Statement

INCOME STATEMENT	Footnotes	THOUSAND TL	
		CURRENT PERIOD (01/01-31/12/2013)	PRIOR PERIOD (01/01-31/12/2012)
I. INTEREST INCOME	V-IV-a	14,853,908	14,676,856
1.1 Interest Income on Loans		10,879,785	10,129,963
1.2 Interest Income on Reserve Deposits		-	-
1.3 Interest Income on Banks		162,261	199,780
1.4 Interest Income on Money Market Placements		14,374	7,762
1.5 Interest Income on Marketable Securities Portfolio		3,570,864	4,135,462
1.5.1 Financial Assets Held for Trading		55,878	99,255
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Financial Assets Available for Sale		2,277,936	2,494,658
1.5.4 Held to Maturity Investments		1,237,050	1,541,549
1.6 Finance Lease Income		126,046	107,110
1.7 Other Interest Income		100,578	96,779
II. INTEREST EXPENSE	V-IV-b	7,172,014	7,834,591
2.1 Interest on Deposits		4,797,189	5,409,094
2.2 Interest on Funds Borrowed		528,881	417,738
2.3 Interest on Money Market Funds		1,165,751	1,476,204
2.4 Interest on Securities Issued		595,555	454,618
2.5 Other Interest Expense		84,638	76,937
III. NET INTEREST INCOME/EXPENSE (I - II)		7,681,894	6,842,265
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,468,946	1,258,319
4.1 Fees and Commissions Received		2,400,210	2,081,434
4.1.1 Non-cash Loans		236,835	194,994
4.1.2 Other		2,163,375	1,886,440
4.2 Fees and Commissions Paid		931,264	823,115
4.2.1 Non-cash Loans		8,659	9,673
4.2.2 Other		922,605	813,442
V. DIVIDEND INCOME	V-IV-c	238,057	205,032
VI. TRADING INCOME/LOSS (NET)	V-IV-d	378,591	871,070
6.1 Gains/Losses on Securities Trading		181,749	767,177
6.2 Derivative Financial Transactions Gains/Losses		(500,764)	(295,502)
6.3 Foreign Exchange Gains/Losses		697,606	399,395
VII. OTHER OPERATING INCOME	V-IV-e	4,615,411	4,559,561
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		14,382,899	13,736,247
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-f	1,654,701	1,291,545
X. OTHER OPERATING EXPENSES (-)	V-IV-g	8,308,239	7,783,373
XI. NET OPERATING INCOME (VIII-IX-X)		4,419,959	4,661,329
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		9,922	12,317
XIV. NET MONETARY POSITION GAIN/LOSS		-	-
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	V-IV-h	4,429,881	4,673,646
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-i	823,022	958,912
16.1 Current Tax Provision		472,907	1,263,465
16.2 Deferred Tax Provision		350,115	(304,553)
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-j	3,606,859	3,714,734
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on Assets Held for Sale		-	-
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
18.3 Other Income on Discontinued Operations		-	-
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
19.1 Expense on Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
19.3 Other Expense on Discontinued Operations		-	-
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Current Tax Provision		-	-
21.2 Deferred Tax Provision		-	-
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)	V-IV-k	3,606,859	3,714,734
23.1 Group's Profit/Loss		3,235,921	3,412,022
23.2 Non-controlling Interest (-)		370,938	302,712
Earnings per Share (in full TL)		0.028763167	0.030328478

TÜRKİYE İŞ BANKASI A.Ş.

V. Consolidated Statement of Income and Expense Items Accounted Under Shareholders' Equity

		THOUSAND TL	
INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (01/01-31/12/2013)	PRIOR PERIOD (01/01-31/12/2012)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	(2,003,089)	1,533,550
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	115,431	(106,500)
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	-	-
VII.	THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	-	-
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	(191,984)	140,022
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	295,313	(220,425)
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(1,784,329)	1,346,647
XI.	PROFIT/LOSS FOR THE PERIOD	3,235,921	3,412,022
11.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	(45,083)	(28,343)
11.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	-	-
11.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	-	-
11.4	Other	3,281,004	3,440,365
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	1,451,592	4,758,669

TÜRKİYE İŞ BANKASI A.Ş. VI. Consolidated Statement of Changes in Shareholders' Equity

CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves
PRIOR PERIOD (31/12/2012)		V - V						
I.	Beginning Balance		4,500,000	1,615,938	33,937		1,838,830	39,586
II.	Corrections Made According to TAS 8							
2.1	The Effect of Corrections of Errors							
2.2	The Effect of Changes in Accounting Policies							
III.	Adjusted Beginning Balance (I+II)		4,500,000	1,615,938	33,937		1,838,830	39,586
Changes During the Period								
IV.	Increase/Decrease Due to Mergers							
V.	Marketable Securities Value Increase Fund							
VI.	Hedge Reserves (Effective Portion)							
6.1	Cash Flow Hedges							
6.2	Net Foreign Investment Hedges							
VII.	Revaluation Surplus on Tangible Assets							
VIII.	Revaluation Surplus on Intangible Assets							
IX.	Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)							
X.	Translation Differences							
XI.	The Effect of Disposal of Assets							
XII.	The Effect of Reclassification of Assets							
XIII.	The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank							
XIV.	Capital Increase							
14.1	Cash							
14.2	Internal Sources							
XV.	Share Issue							
XVI.	Share Cancellation Profits							
XVII.	Paid-in-Capital Inflation Adjustment							
XVIII.	Other				3		229	
XIX.	Net Profit/(Loss)							
XX.	Profit Distribution						192,250	8,967
20.1	Dividend Paid							
20.2	Transfer to Reserves						192,250	8,967
20.3	Other							
Ending Balance (III+IV+V...+XVIII+XIX+XX)			4,500,000	1,615,938	33,940		2,031,309	48,553
CURRENT PERIOD (31/12/2013)								
I.	Beginning Balance		4,500,000	1,615,938	33,940		2,031,309	48,553
Changes During the Period								
II.	Increase/Decrease Due to Mergers							
III.	Marketable Securities Value Increase Fund							
IV.	Hedge Reserves (Effective Portion)							
4.1	Cash Flow Hedges							
4.2	Net Foreign Investment Hedges							
V.	Revaluation Surplus on Tangible Assets							
VI.	Revaluation Surplus on Intangible Assets							
VII.	Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)							
VIII.	Translation Differences							
IX.	The Effect of Disposal of Assets							
X.	The Effect of Reclassification of Assets							
XI.	The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank							
XII.	Capital Increase							
12.1	Cash							
12.2	Internal Sources							
XIII.	Share Issue							
XIV.	Share Cancellation Profits							
XV.	Paid-in-Capital Inflation Adjustment							
XVI.	Other (*)						73	
XVII.	Net Profit/Loss for the Period							
XVIII.	Profit Distribution						255,104	10,986
18.1	Dividend Paid							
18.2	Transfer to Reserves						255,104	10,986
18.3	Other (**)							
Ending Balance (I+II+III...+XVI+XVII+XVIII)			4,500,000	1,615,938	33,940		2,286,486	59,539

(*) The Group also includes the changes that occur in the shares.

(**) According to the Articles of Incorporation of the Bank, since a portion of the net profit for the period is distributed to the employees as a dividend, the provision provided for employee dividend distribution in 2012 within the scope of "TAS 19-Employee Benefits", has been added to distributable profit.

TÜRKİYE İŞ BANKASI A.Ş.

VI. Consolidated Statement of Changes in Shareholders' Equity

THOUSAND TL												
Extraordinary Reserves	Other Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Reserve on Asset Held for Sale and Discontinued Oper.	Total Shareholders' Equity Except Non-controlling Interest	Non-controlling Interest	Total Shareholder's Equity	
6,363,264	110,322		2,179,515	1,159,906		(1,179)			17,840,119	2,470,450	20,310,569	
6,363,264	110,322		2,179,515	1,159,906		(1,179)			17,840,119	2,470,450	20,310,569	
				1,453,147					1,453,147	197,702	1,650,849	
	(106,500)								(106,500)	447	(106,053)	
1,754			(200)						1,786	(6,386)	(4,600)	
1,953,972		3,412,022	(2,788,825)						3,412,022	302,712	3,714,734	
1,953,972			(633,636)						(633,636)	(73,108)	(706,744)	
			(2,155,189)						(633,636)	(73,108)	(706,744)	
8,318,990	3,822	3,412,022	(609,510)	2,613,053	-	(1,179)	-	-	21,966,938	2,891,817	24,858,755	
8,318,990	3,822		2,802,512	2,613,053		(1,179)			21,966,938	2,891,817	24,858,755	
				(1,932,656)					(1,932,656)	(30,652)	(1,963,308)	
	115,431								115,431	(1,542)	113,889	
218	32,896		42						33,229	498	33,727	
2,493,536		3,235,921	(3,417,313)						3,235,921	370,938	3,606,859	
2,354,605			(796,618)						(657,687)	(97,609)	(755,296)	
138,931			(2,620,695)						(796,618)	(97,609)	(894,227)	
									-	-	-	
									138,931		138,931	
10,812,744	152,149	3,235,921	(614,759)	680,397	-	(1,179)	-	-	22,761,176	3,133,450	25,894,626	

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VII. Consolidated Statement of Cash Flows

		THOUSAND TL	
		Footnotes	
			CURRENT PERIOD (01/01-31/12/2013)
			PRIOR PERIOD (01/01-31/12/2012)
A.	CASH FLOWS FROM BANKING OPERATIONS	V - VI	
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		5,943,982
1.1.1	Interest Received		15,627,984
1.1.2	Interest Paid		(7,129,809)
1.1.3	Dividend Received		106,204
1.1.4	Fees and Commissions Received		2,400,210
1.1.5	Other Income		3,942,287
1.1.6	Collections from Previously Written Off Loans and Other Receivables		990,868
1.1.7	Cash Payments to Personnel and Service Suppliers		(4,181,504)
1.1.8	Taxes Paid		(958,677)
1.1.9	Other		(4,853,581)
1.2	Changes in Operating Assets and Liabilities		(4,420,002)
1.2.1	Net (Increase) Decrease in Financial Assets Held for Trading		(111,506)
1.2.2	Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-
1.2.3	Net (Increase) Decrease in Due From Banks		(3,548,227)
1.2.4	Net (Increase) Decrease in Loans		(23,354,766)
1.2.5	Net (Increase) Decrease in Other Assets		(1,737,804)
1.2.6	Net Increase (Decrease) in Bank Deposits		546,276
1.2.7	Net Increase (Decrease) in Other Deposits		8,484,522
1.2.8	Net Increase (Decrease) in Funds Borrowed		5,960,354
1.2.9	Net Increase (Decrease) in Matured Payables		-
1.2.10	Net Increase (Decrease) in Other Liabilities		9,341,149
I.	Net Cash Provided From Banking Operations		1,523,980
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from/Used in Investing Activities		(797,883)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		(323)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		314,834
2.3	Tangible Asset Purchases		(632,185)
2.4	Tangible Asset Sales		436,128
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(14,650,450)
2.6	Cash Obtained from Sales of Financial Assets Available for Sale		11,058,117
2.7	Cash Paid for Purchase of Investment Securities Held to Maturity		(24,953)
2.8	Cash Obtained from Sales of Investment Securities Held to Maturity		2,927,583
2.9	Other		(226,634)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from/Used in Financing Activities		3,254,934
3.1	Cash Obtained from Funds Borrowed and Securities Issued		14,113,012
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(9,963,851)
3.3	Equity Instruments		-
3.4	Dividends Paid		(894,227)
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		478,339
V.	Net Increase/(Decrease) in Cash and Cash Equivalents		4,459,370
VI.	Cash and Cash Equivalents at Beginning of the Period		8,583,239
VII.	Cash and Cash Equivalents at End of the Period		13,042,609

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VIII. Profit Distribution Table

		THOUSAND TL	
		CURRENT PERIOD (31/12/2013)	PRIOR PERIOD (31/12/2012)
I.	DISTRIBUTION OF CURRENT YEAR PROFIT⁽¹⁾		
1.1	CURRENT PERIOD PROFIT ⁽²⁾	3,856,699	4,258,453
1.2	TAXES AND DUES PAYABLE (-)	693,334	810,646
1.2.1	Corporate Tax (Income Tax)	357,885	1,111,381
1.2.2	Income Tax Withholding	5,975	6,136
1.2.3	Other Taxes and Dues Payable ⁽³⁾	329,474	(306,871)
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	3,163,365	3,447,807
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	171,173
1.5	OTHER STATUTORY RESERVES (-)	-	2,357,989
B.	NET PROFIT ATTRIBUTABLE TO [(A-(1.3+1.4+1.5))]	3,163,365	918,645
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	270,000
1.6.1	To Owners of Ordinary Shares	-	269,998
1.6.2	To Owners of Preferred Shares	-	2
1.6.3	To Preferred Shares (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit/Loss Share Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	129,729
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	1,621
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	395,268
1.9.1	To Owners of Ordinary Shares	-	395,261
1.9.2	To Owners of Preferred Shares	-	3
1.9.3	To Preferred Shares (Preemptive Rights)	-	4
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit/Loss Share Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	57,162
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	64,865
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Shares	-	-
2.3.3	To Preferred Shares (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit/Loss Share Certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARE ⁽⁴⁾	0.0281	0.0294
3.2	TO OWNERS OF ORDINARY SHARES (%)	70	74
3.3	TO OWNERS OF PREFERRED SHARES ⁽⁴⁾	-	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES ⁽⁴⁾	-	0.0059
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	15
4.3	TO OWNERS OF PREFERRED SHARES ⁽⁴⁾	-	0.0017
4.4	TO OWNERS OF PREFERRED SHARES (%)	-	17

⁽¹⁾The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

⁽²⁾ TL 137,500 is added distribution tax base for 2012 which is provision provided for employee dividend distribution in 2012 within the scope of "TAS 19-Employee Benefits", has been added to prior period net profit/loss.

⁽³⁾The amount of current year is Deferred Tax Expense, the amount of prior period is Deferred Tax Income.

⁽⁴⁾ Expressed in full TL

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

SECTION THREE: EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

1. Basis of Presentation

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") (Together TMS); and "Regulation on Accounting Applications for Banks and Safeguarding of 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.

2. 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 consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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. Strategy for Use of Financial Instruments and on Foreign Currency Transactions

1. The Group's Strategy on Financial Instruments

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, investment consulting, real estate portfolio and asset management, financial lease, factoring services, portfolio management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments.

By taking into account the global and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Parent Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

2. Foreign Currency Transactions

The financial statements of the Parent Bank's branches and financial institutions that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; and when they are consolidated, they are presented in TL, which is the functional currency of the Parent Bank and also the currency used in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted into Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into Turkish Lira by the rates at the date of which the fair value is determined. Exchange rate differences arising from the conversions of monetary foreign currency items and the collections of and payments in foreign currency transactions are reflected to the income statement. In accordance with TAS 21 "Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted into Turkish Currency at the currency rates at the transaction date, and also in accordance with TAS 29 "Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası A.Ş., one of the consolidated subsidiaries, use their own foreign currency exchange rates for their foreign currency transactions, other institutions residing domestically use the CBT rates for their foreign currency transactions.

Assets and liabilities of the foreign branches of the Parent Bank and financial institutions that have been established abroad are converted into TL by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions. Incomes and expenses of foreign financial institutions are converted into TL at average foreign currency rates as long as there is not a significant fluctuation in currency rates during the period. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

III. Explanation on the Consolidated Companies

1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated 8 November 2006.

a. Basis of consolidation of subsidiaries:

A subsidiary is an entity that is controlled by the Parent.

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.

As per the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated 8 November 2006, as at the current period, the Parent Bank has no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. Detailed information about the consolidated subsidiaries is given in Section Five, Note I.h.3.

Under full consolidation 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 of the subsidiaries 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. Non-controlling 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. Non-controlling interests are presented separately in the balance sheet and in the income statement.

Accounting policies used by the subsidiaries, that are included in the consolidated financial statements, are not different than the Parent Bank's.

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TFRS 3 "Business Combinations" standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after 31 March 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard, it is also required from that date onwards that the negative goodwill, which occurs in the case of the Group's interest in the fair value of acquired identifiable assets and liabilities exceeds the acquisition cost to be recognized in profit or loss.

Details of positive goodwill arising from Group's investments to its subsidiaries in investment basis are as follows:

Name of the Investment	Amount of the Positive Consolidation Goodwill
İş Finansal Kiralama A.Ş.	611
Türkiye Sınai Kalkınma Bankası A.Ş.	4,792
Anadolu Anonim Türk Sigorta Şirketi	1,767
CJSC İşbank	28,804
Total	35,974

Due to the Bank does not have any associates and subsidiaries, the special purpose entities established within the Bank's securitization loan transactions are included to the financial statements

b. Basis of consolidation of associates:

An associate is a domestic or foreign entity which the Parent Bank participates in its capital and over which it has a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in 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 the Parent Bank from having significant influence.

Qualified share is the share that directly or indirectly constitutes ten or more than 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 accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized in profit or loss in the consolidated income statement.

Accounting policies of Arap-Türk Bankası A.Ş., the only associate that is included in the consolidated financial statements by using the equity accounting method are not different than the Parent Bank's.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures to be consolidated.

d. Principles applied during share transfer, merger and acquisition: None.

2. Presentation of unconsolidated subsidiaries, associates and equity securities included in the available-for-sale portfolio in consolidated financial statements:

Equity securities recognized as subsidiaries, associates and financial assets available for sale are accounted in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" in the consolidated financial statements. Subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Subsidiaries and associates whose shares are not traded in an active market (stock market), are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, impairment losses, if any.

IV. Forward, Options and Other Derivative Transactions

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

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Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising in these transactions are followed under off-balance sheet accounts. Derivative transactions are valued at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. 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. The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On off-balance sheet items table, options which generated assets for the Parent Bank are presented under "call options" line and which generated liabilities are presented under "put options" line.

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. Fee and Commission Income and Expenses

Fees and commission income and expenses are recorded either on accrual basis or by using the effective interest method. Income earned in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recognized in income accounts in the period of collection.

VII. Financial Assets

Financial assets are comprised of cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty, or the capital instrument transactions of the counterparty. According to the Parent Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Held to Maturity Investments" and "Loans and Receivables".

1. Cash and Banks

Cash consists of cash in vault, foreign currency cash, money in transit, cheques purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted into TL at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

2. Marketable Securities

a. Financial Assets at Fair Value through Profit And Loss

a.1. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial Assets Held for Trading is presented in the balance sheet with their fair values and is subject to valuation at fair values after the initial recognition. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and "amortized cost", calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. In frame of legal regulations, any positive difference between the historical cost and amortized cost of financial assets are recognized under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is recognized in the "Gains on Securities Trading" account. If the fair value is less than the amortized cost, the negative difference is recognized under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

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a.2. Financial Assets at Fair Value through Profit and Loss

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

b. Financial Assets Available for Sale and Held to Maturity Investments

b.1. Financial Assets Available for Sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, held to maturity investments 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.

b.2. Held to Maturity Investments

Held to maturity investments 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. Held to maturity investments 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 held to maturity investments are recognized in the income statement as an interest income.

There are no financial assets that are classified by the Group as held to maturity investments; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

3. 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.

Retail and commercial loans that are followed under cash loans are accounted at original maturities, based on their contents.

Foreign currency indexed consumer and corporate loans are followed at TL accounts after converting into TL 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.

VIII. Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the carrying amount of its financial assets or a group of its financial assets to determine 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 incurrance, future expected losses are not recognized.

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Impairment losses attributable to the held to maturity investments 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.

Loans are classified and followed in line with the provisions of the "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", published on the Official Gazette numbered 26333 dated 1 November 2006. Within the scope of the relevant legislation the Parent Bank was allocating specific provision for the non-performing loans and other receivables, the Parent Bank calculated to allocate specific provisions in accordance with the minimum provision rates mentioned. Between the activities of the Group for the financial leasing and factoring operations for the receivables in the "Financial Leasing, Factoring and Financing Companies Communiqué on Principles and Procedures for the Provision for Receivables" under the special provision is made and published on the Official Gazette numbered 26558 dated 20 July 2007 and for receivables acquired through the asset management activities in "Regulation on the Establishment and Operations of Asset Management Companies" published on the Official Gazette numbered 26333 dated 01 November 2006 under the special provision are made. Specific provisions are reflected in the income statement. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Other than specific allowances, the Parent Bank and the financial institutions affiliated to the Group also provide "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.

IX. Offsetting Financial Instruments

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. Sale and Repurchase Agreements and Securities Lending Transactions

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

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

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

XI. Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities

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 and presented in the financial statements separately. 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).

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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. There are no discontinued operation on Parent Bank and consolidated associates.

XII. Goodwill and Other Intangible Assets

The Group's intangible assets consist of consolidation goodwill and software programs.

Goodwill arising from the acquisition of a subsidiary represents the excess of cost of acquisition over the fair value of Group's share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group's every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment-loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group's investments in its subsidiaries is recognized in Intangible Assets. Explanations on consolidation goodwill are given in Note III.1.a. in Section Three.

As for other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Such assets are amortized by the straight-line method in a period between 1-15 years considering their useful life. The amortization method and period are periodically reviewed at the end of each year.

XIII. Tangible Assets

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as at 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets held under finance leases are depreciated over the expected useful life or lease term whichever is the shorter for the specified period.

Leasehold improvements are amortized in equal amounts considering their useful life. However, in any case the useful life cannot exceed the leasing term. When the lease period is not certain or longer than 5 years, the amortization period is recognized as 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible asset are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

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The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2%-25%
Safe Boxes	2-50	2%-50%
Other Movables	2-25	4%-50%
Leased Assets	4-15	6.66%-25%

XIV. Investment Property

Investment property is 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 property.

XV. 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 portion of the payables is recognized as a deferred amount of interest. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Group's general borrowing policy, financial expenses are recognized in the income statement. 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.

There is one company which exclusively does finance leases (İş Finansal Kiralama A.Ş.) and one bank (Türkiye Sınai Kalkınma Bankası A.Ş.) which operates finance lease activities as per provisional article No 4 of the Banking Law No 5411. Finance lease activities are operated according to the "Law on Financial Leasing, Factoring and Financing" No 6361.

In cases when the Group is the "lessor", finance lease receivables are recognized by their fair values on the first entry date and in the reporting periods after the first entry date they are carried at amortized cost by using the effective interest rate method. Interest income on finance lease is allocated to the accounting periods in order to reflect a fixed term interest from the investments that are subject to leasing.

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

XVI. Insurance Technical Income and Expense

In insurance companies premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

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

XVII. Insurance Technical Reserves

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. Contracts with significant insurance risk are considered insurance 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 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, reserves accounted by insurance companies for unearned premium claims, unexpired risk reserves, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

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The reserve 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 main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

Reserve for outstanding claim 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 reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

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.

XVIII. Provisions and Contingent Liabilities

As of the end of the reporting period, A past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists, the entity recognizes a provision in the financial statements. As of the end of the reporting period where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

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. Contingent Assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Parent Bank. Since showing the contingent assets in the financial statements may result in the accounting of an income, which will never be generated, the related assets are not included in the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

XX. Liabilities Regarding Employee Benefits

1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Parent Bank and consolidated Group companies (excluding the subsidiaries residing outside Turkey) are obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 "Employee Benefits", the Parent Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. According to revised TAS 19, the actuarial gains and losses occurred after 1 January 2013 is recognized under equity. As the legislations of the countries in which İşbank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

2. Retirement Benefit Obligations

İşbank Pension Fund (Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act numbered 506. As per provisional article numbered 23 of the Banking Law numbered 5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 numbered 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, Nr.E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and numbered 26479 and the execution decision were ceased as of the issuance date of the related decision.

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 "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 after that related transfer period has been prolonged for one more year by the Cabinet decision dated 08 April 2013, which was published on the Official Gazette dated 3 May 2013 and numbered 28636.

The subject transfer period is extended for one year by the Council of Ministers on the 8 April 2013 published on the Official Gazette dated on 3 May 2015 and numbered 28636.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

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In line with the new law, the Bank had an actuarial valuation made which is actual and technical actuarial report dated 10 January 2014 in the amount specified in the corresponding place has given for the aforementioned pension fund as of 31 December 2013. The actuarial assumptions used in the related actuarial report are given in Section Five Note II-h. Besides the Parent Bank, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. also had an actuarial audit as of 31 December 2013 for the pension fund. According to actuarial report as at 7 January 2014, the amount of actuarial and technical deficit which was measured according this report and reflected to the year-end financial statements, was kept in the financial statements for the current period from Milli Reasürans T.A.Ş. According to actuarial report as at 24 January 2014, there is not any additional operational or actuarial liability from Türkiye Sınai Kalkınma Bankası to the Group at 31 December 2013.

Up to now, there has not been any deficit in İşbank Members' Supplementary Pension Fund (Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı), which has been founded by the Parent Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Parent Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Parent Bank. The same is valid for the supplementary pension funds of the employees of Anadolu Türkiye Sınai Kalkınma Bankası A.Ş., Milli Reasürans T.A.Ş. and Anadolu Anonim Türk Sigorta Şirketi, which are among the other financial institutions of the Group.

XXI. Taxation

1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2013 will be paid in February 2014 and will be offset with the current period's corporate tax.

Tax expense is the sum of the current tax expense and deferred tax charge. Current period 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. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

2. Deferred Tax:

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. General provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities in the financial statements of banks and companies are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

3. Tax Practices in the Countries that Foreign Branches Operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies 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 the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

England

Corporate earnings are subject to 23% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the a specific balance within the scope of the regulations' tax base of the relevant year, is higher than the amount found the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year.

Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the determined balance, corporate tax is paid by the end of January of the second year following the year that the profit is made.

Bahrain

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

The Republic of Iraq (Iraq)

Corporate earnings are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest. The corporate tax rate is 15% and the balance sheet must be presented to the tax office until the end of June of the following year and accrued taxes must be paid. On the other hand, Tax Administrations Regional Government in Northern Iraq can recognize the fixed tax except signified rates.

Georgia

Corporate earnings are subject to income tax rate of 15% according to the Georgian legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the income of corporations and that are calculated in accordance with the tax laws. In addition, in accordance with the legislation of Georgia, each year during May, July, September and December the amount of tax, that calculated according to the previous year income tax, is paid to the tax office by four equal installments of the probable income that is likely to be obtained the current year. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Kosovo

Corporate earnings are subject to income tax rate of 10% according to the Kosovo legislation. This ratio is applied to the tax base that will be calculated as a result of the implementation of exemptions, deductions, addition of disallowable expenses, to the corporate income and that are calculated in accordance with the tax laws. Tax has to be paid in advance until April, June, October and January of the current year and the 15th day of January of the following year by four installments. If those prepaid taxes are lower than the final corporate tax, the difference is paid until the beginning of April of the following year, if it is higher, then the difference is returned to the institution by the tax authorities.

Germany

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four installments and are deducted from the corporate tax that is finalized at the end of the current year.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Russia

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid until 28 March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

United Arab Emirates

The companies operating in the free zones of Dubai are not subject to tax according to the country's legislation.

4. Transfer Pricing:

Transfer pricing is regulated through Article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XXII. Borrowings

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

XXIII. Equity Shares and Issuance of Equity Shares

Share issuance related costs is recognized as expenses.

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	3,235,921	3,412,022
Weighted average number of shares (thousands)	112,502,250	112,502,250
Earnings per share - (in full TL)	0.028763167	0.030328478

XXIV. Bank Acceptances and Bills of Guarantee

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.

XXV. Government Incentives

None.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

XXVI. Segment Reporting

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Group's business segmentation and related information is explained in Section Four Note XV.

XXVII. Other Disclosures

To adapt to the financial statements 31 December 2013, reclassifications have been made on off-balance sheet on 31 December 2012.

SECTION FOUR: INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Capital Adequacy Ratio

The Group's and the Parent Bank's capital adequacy standard ratios are 14.34% and 14.38%, (31 December 2012: 16.28, 16.33) respectively. Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette no.28337 dated 28 June 2012, effectiveness date is 1 July 2012, and the calculations are made according to the "Regulation on Equities of Banks" published in the Official Gazette numbered 26333 dated 1 November 2006.

Capital adequacy ratio is calculated from obligated required capital of the credit risk, the market risk and the operational risk. The amount subject to credit risk on balance sheet assets and non-cash loans, commitments and types of derivative financial instruments, risk classes and ratings of risk weights are evaluated by taking into account the relevant legislation.

The amount subject to credit risk for non-cash loans and commitments 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" after deducting specific provision amount which is calculated from the article of "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette no.26333 dated 1 November 2006. The items, which are considered as deductions from capital amount, are not considered in the calculation of capital requirement of credit risk.

Such financial assets, liabilities and off-balance sheet transactions are classified in two separate portfolio as "trading accounts" and "banking accounts" in accordance with the legal regulations and the Parent Bank's internal risk policies. Actively traded asset on balance sheet, derivative transactions held for trading, and trading accounts comprising foreign currency positions are used in calculation of market risk according to the Standard Method by the Bank. Financial instruments and non-financial assets which are excluded from trading book and classified as banking book are subject to calculation of credit risk.

In the calculation of the Parent Bank's operational risk, "Basic Indicator Method" is used.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Information related to the Parent Bank's capital adequacy ratio:

	Risk Weights										
	Bank-Only										
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	
Value at Credit Risk											
Risk Classes											
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	51,586,757			7,035,311		341,208					
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			16,352	42,445		2					
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						211,846					
Contingent and Non-Contingent Receivables from Multilateral Development Banks	1,121										
Contingent and Non-Contingent Receivables from International Organizations											
Contingent and Non-Contingent Receivables from Banks and Intermediaries	435,838		3,263,247	4,003,876		139,060	58				
Contingent and Non-Contingent Corporate Receivables			257,107	2,528,801		91,507,548					
Contingent and Non-Contingent Retail Receivables			12	5,466	35,004,914	3,067,376					
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				11,245,721							
Non-performing Receivables ⁽¹⁾						437,647					
Receivables are identified as high risk by the Board							3,208,546	12,031,089	148,946		
Secured Marketable Securities											
Securitization Positions											
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries											
Investments as Collective Investment Institutions						359,208					
Other Receivables	2,219,811		6			10,584,715					

⁽¹⁾ In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

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Information related to consolidated capital adequacy ratio:

Value at Credit Risk	Risk Weights Consolidated									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Risk Classes										
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	56,877,986			7,518,059		341,211				
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments			16,352	42,445		2				
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises						254,626				
Contingent and Non-Contingent Receivables from Multilateral Development Banks	1,121									
Contingent and Non-Contingent Receivables from International Organizations										
Contingent and Non-Contingent Receivables from Banks and Intermediaries	519,957	5,528,629	8,157,879		161,180	58				
Contingent and Non-Contingent Corporate Receivables		148,145	1,999,917		106,712,068	16,705				
Contingent and Non-Contingent Retail Receivables	5,239,480	12	5,464	35,738,580	3,066,665					
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages				11,245,721						
Non-performing Receivables ⁽¹⁾						546,352				
Receivables are identified as high risk by the Board							3,270,962	12,031,124	148,946	
Secured Marketable Securities										
Securitization Positions										
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries										
Investments as Collective										
Investment Institutions	57,419					118,403				
Other Receivables	2,257,084		6			9,801,746				

⁽¹⁾ In accordance "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", credits and other receivables which are monitoring in the non-performing loans and receivables and represents the net of value after the offsetting with the specific provisions for those.

⁽²⁾ The amount includes blocked financial investments with risks on saving life policyholders and receivables from individual pension operations of Anadolu Hayat Emeklilik A.Ş. which is one of the Group companies.

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Notes to the Consolidated Financial Statements
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Summary information about the Parent bank's capital adequacy ratio and consolidated capital adequacy ratio:

	Bank-Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (VaCR*0.08) (CRCR)	14,023,032	10,945,847	15,423,661	11,953,017
Capital Requirement for Market Risk (CRMR)	410,935	281,182	538,117	449,795
Capital Requirement for Operational Risk (CROR)	971,452	894,118	1,090,380	1,021,396
Equity	27,689,806	24,739,690	30,567,360	27,325,571
Equity/((CRCR+CRMR+CROR)*12.5*100)	14.38	16.33	14.34	16.28

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Information about the consolidated components of equity

	Current Period	Prior Period
CORE CAPITAL (TIER I)		
Paid-In Capital	4,500,000	4,500,000
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	33,940	33,940
Share Cancellation Profits		
Reserves	13,023,832	10,113,697
Inflation Adjustments to Reserves		
Profit	2,621,162	2,802,512
Current Period Profit	3,235,921	3,412,022
Prior Periods' Profit	(614,759)	(609,510)
Provision for Possible Losses (up to 25% of the Core Capital)	1,000,000	1,000,000
Gain on Sale of Associates, Subsidiaries and Real Estates	287,086	288,977
Primary Subordinated Debt		
Non-controlling Interest	2,947,778	2,675,494
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	128,762	125,518
Intangible Assets (-)	257,043	153,653
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of the Article 56 of the Banking Law (-)		
Consolidated Surplus (Net) (-)	35,974	35,974
Total Core Capital	25,607,957	22,715,413
SUPPLEMENTARY CAPITAL (TIER II)		
General Loan Loss Provision	2,100,602	1,705,153
45% of Movable's Revaluation Reserve		
45% of Immovable's Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures) and unrecognized shares in current period	(1,179)	(1,179)
Primary Subordinated Debts Excluding the Portion included in the Core Capital		
Secondary Subordinated Debts	2,999,900	1,838,040
45% of Marketable Securities and Investment Securities Value Increase Fund ⁽¹⁾	(47,440)	1,175,874
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to reserves)		
Non-controlling Interest	81,844	97,994
Total Supplementary Capital	5,133,727	4,815,882
TIER III CAPITAL		
CAPITAL	30,741,684	27,531,295
DEDUCTIONS FROM THE CAPITAL	174,324	205,724
Investments in Unconsolidated Banks and Financial Institutions		
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loan and debt instruments purchased from such parties qualified as primary or secondary subordinated loan		
Investments in Banks and Financial Institutions, to which Equity Method has been applied but whose Assets and Liabilities are Unconsolidated	96,644	86,722
Loan Granted to Customer Against the Articles 50 and 51 of the Banking Law	2,586	1,448
Net book values of immovables exceeding 50% of the capital and of assets acquired against Overdue receivables and Held for Sale as per the Article 57 Of the Banking Law but retained More Than Five Years	54,552	75,643
Securitization Positions Deducted from Equity		
Others ⁽²⁾	20,542	41,911
TOTAL SHAREHOLDERS' EQUITY	30,567,360	27,325,571

⁽¹⁾ According to the related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance; total amount, and if positive 45% of the balance is taken into consideration in supplementary capital calculation.

⁽²⁾ It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and numbered 3980, published on the Official Gazette dated 18 December 2010 and numbered 27789.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Information on the Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities:

On-balance sheet and off-balance sheet financial risks and activities arising from financial assets and liabilities, against damage caused by exposure to financial risk that are necessary to determine the level of capital and the determined level, taking into consideration the specified minimum levels of statutory and internal continuity of the supply and monitoring process "Capital Adequacy Policy" implemented within the framework by the Bank.

Capital adequacy level is monitored and analyzed taking into consideration the possible changes on economic conjuncture, risk factors, balance sheet structure and size, profitability and, the dividend policy by the Bank. As for the level of capital adequacy with a view to a forward-looking analysis and projection studies have an affect the Bank's planning and decision processes.

Internal capital adequacy assessment process covers determining the risks to an internal perspective which are faced by the Bank and also covers the necessary capital amount against the risks and evaluation within the framework of the principles and methods. This process contains the assessments of capital adequacy under normal conditions and with the evaluation of working under stress conditions.

During the assessment of the Bank's internal capital adequacy; in addition to credit risk, market risk and operational risk, considered to be important by the Bank and for the other quantifiable risks, there are generally accepted methods of calculating capital requirements.

II. Explanations on Consolidated Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Group.

Banks and financial institutions affiliated to the Group, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

The Parent Bank and its financial affiliates give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

Non-performing and impaired loans has classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The detailed descriptions of these methods correspond with accounting practices, are included in Section Three Note VIII.

Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with different risk classes according to the types and amounts of disaggregated risks are listed below the average for the period.

Exposure Categories ⁽¹⁾	Current Period Risk Amount	Average Risk Amount ⁽²⁾
Conditional and unconditional exposures to central governments or central banks	64,737,256	65,052,737
Conditional and unconditional exposures to regional governments or local authorities	58,799	63,238
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	254,626	314,989
Conditional and unconditional exposures to multilateral development banks	1,121	1,211
Conditional and unconditional exposures to international organizations		
Conditional and unconditional exposures to banks and brokerage houses	14,367,703	15,027,645
Conditional and unconditional exposures to corporate	108,876,835	99,489,857
Conditional and unconditional retail exposures	44,050,201	39,647,665
Conditional and unconditional exposures secured by real estate property	11,245,721	10,701,655
Past due items	546,352	575,069
Items in regulatory high-risk categories	15,451,032	12,344,970
Exposures in the form of bonds secured by mortgages		
Securitization positions		
Short term exposures to banks, brokerage houses and corporates		
Exposures in the form of collective investment undertakings	175,822	111,970
Other items	12,058,836	11,793,145

⁽¹⁾ Includes total risk amounts after credit conversions.

⁽²⁾ Average risk amounts are the arithmetical average of the amounts in quarterly reports prepared.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic derivatives market in this particular area, the Parent Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments with a remarkable volume are monitored with consideration that they can always be liquidated in case of need.

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4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned to the related banks and financial institutions accordingly.

6. (i) The share of the Group's receivables from the top 100 and 200 cash loan customers in the overall cash loan portfolio stands at 21% and 29% respectively (31 December 2012: 22%, 29%).

(ii) The share of the Group's receivables from the top 100 and 200 non-cash loan customers in the overall non-cash portfolio stands at 45% and 56% respectively (31 December 2012: 44%, 54%).

(iii) The share of the Group's cash and non-cash receivables from the top 100 and 200 credit customers in the overall assets and non-cash loans stands at 14% and 20% (31 December 2012: 14%, 18%).

Companies that are among the top loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk carried by the Group stands at TL 2,100,602.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/ corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	49.38%	51.46%
Standard	37.02%	33.83%
Below Standard	4.71%	5.99%
Not Rated/Scored	8.89%	8.72%

The table data comprises the behavior rating/scoring results.

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9. The net values of the collaterals of the Group's closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	634,341	634,341	608,935	608,935
Vehicle Pledge	109,640	109,640	140,837	140,837
Cash Collateral (Cash provisions, securities pledge, etc.)	11,961	11,961	19,538	19,538
Pledge on Wages	185,780	185,780	127,790	127,790
Cheques & Notes	40,562	40,562	30,673	30,673
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	398,911	398,911	183,211	183,211
Interest and Income Accruals		855,323		833,603
Total	1,381,195	2,236,518	1,110,984	1,944,587

⁽¹⁾ The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

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10. The net values of the collaterals of the Group's non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage ⁽¹⁾	450,738	450,738	444,835	444,835
Cash Collateral	2,235	2,235	36	36
Vehicle Pledge	86,766	86,766	61,440	61,440
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	72,600	72,600	47,708	47,708

⁽¹⁾ The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired in terms of financial asset classes, is as follows:

Current Period ⁽¹⁾	1-30 Days ⁽²⁾	31-60 Days ⁽³⁾	61-90 Days ⁽³⁾	Total
Loans	783,000	200,897	96,139	1,080,036
Corporate/Commercial Loans ⁽⁴⁾	200,996	46,847	24,338	272,181
Consumer Loans	82,906	35,748	17,839	136,493
Credit Cards	499,098	118,302	53,962	671,362
Lease Receivables ⁽⁵⁾	8,916	3,345	1,506	13,767
Insurance Receivables	77,880	12,545	4,096	94,521
Total	869,796	216,787	101,741	1,188,324

⁽¹⁾ The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 1,429,843.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 393,028 and TL 705,078 respectively.

⁽³⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 213,285 and TL 299,867 respectively.

⁽⁴⁾ The balance includes factoring receivables

⁽⁵⁾ Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 176,616.

Prior Period ⁽¹⁾	1-30 Days ⁽²⁾	31-60 Days ⁽³⁾	61-90 Days ⁽³⁾	Total
Loans	866,521	178,713	87,553	1,132,787
Corporate/Commercial Loans ⁽⁴⁾	361,218	29,669	23,771	414,658
Consumer Loans	83,474	33,801	15,509	132,784
Credit Cards	421,829	115,243	48,273	585,345
Lease Receivables ⁽⁵⁾	11,291	3,087	2,251	16,629
Insurance Receivables	78,027	13,001	5,815	96,843
Total	955,839	194,801	95,619	1,246,259

⁽¹⁾ The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 1,201,982.

⁽²⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 406,160 and TL 586,342 respectively.

⁽³⁾ Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 218,097 and TL 258,242 respectively.

⁽⁴⁾ The balance includes factoring receivables

⁽⁵⁾ Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 165,972.

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12. Profile of Significant Risk Exposures in Major Regions:

Current Period Risk Groups	Domestic	European Union	OECD Countries ⁽¹⁾	Off-Shore Banking Regions	USA, Canada	Other Countries	Investments in Associates, Subsidiaries and Jointly Controlled Entities	Unallocated Assets/ Liabilities ⁽²⁾	Total
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	64,691,365	6,473				39,418			64,737,256
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	58,799								58,799
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	235,196	19,422				8			254,626
Contingent and Non-Contingent Receivables from Multilateral Development Banks	106	1,015							1,121
Contingent and Non-Contingent Receivables from International Organizations									
Contingent and Non-Contingent Receivables from Banks and Intermediaries	10,496,899	3,324,875	148,100	14,771	183,343	199,715			14,367,703
Contingent and Non-Contingent Corporate Receivables	105,696,261	1,388,111	17,217	30,213	51,107	1,693,926			108,876,835
Contingent and Non-Contingent Retail Receivables	43,111,309	423,371	6,986	25	1,174	507,336			44,050,201
Contingent and Non-Contingent Receivables Secured by Residential Property	11,153,523	26,787	3,692		2,164	59,555			11,245,721
Non-Performing Receivables	546,215	58	8	3	1	67			546,352
Receivables are identified as high risk by the Board	15,241,646	12,968	1,304	1	755	194,358			15,451,032
Secured Marketable Securities									
Securitization Positions									
Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries									
Investments as Collective Investment Institutions	171,815	4,007							175,822
Other Receivables	7,884,285						4,174,551		12,058,836
Total	259,291,426	5,203,080	177,307	45,013	238,544	2,694,383	4,174,551		271,824,304

⁽¹⁾ EU Countries, USA and Canada except the OECD Countries

⁽²⁾ Assets and liabilities are allocated on a consistent basis

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13. Risk Profile by Sectors or Counterparties:

Current Period									
Consolidated									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sectors/Counterparty									
Agriculture		671	86				930,748	1,246,648	69,564
Farming and Stockbreeding		671	86				463,196	1,039,854	61,575
Forestry							205,523	164,517	5,154
Fishing							262,029	42,277	2,835
Industry		220	62,376				47,646,397	5,351,142	270,680
Mining		5					1,188,764	219,580	6,955
Production			32				30,591,190	5,011,971	257,079
Electricity, gas, and water		215	62,344				15,866,443	119,591	6,646
Construction			1				11,923,682	2,875,440	136,544
Services	26,141,089	291	157,332	1,121		14,297,302	46,051,414	16,497,031	1,970,804
Wholesale and Retail Trade		15	100			4	16,766,818	9,419,865	488,389
Hotel, Food and Beverage Services			8				3,596,310	692,305	73,689
Transportation and Telecommunication			161				7,729,131	3,304,124	199,994
Financial Institutions	26,141,045		30	1,121		14,242,133	5,605,648	155,111	23,479
Real Estate and Renting Services			7,630			5	7,948,450	1,014,784	141,675
Self-Employment Services	20	274	122,678			55,160	2,870,772	1,305,832	926,555
Education Services	16		3,609				628,777	157,092	35,225
Health and Social Services	8	2	23,116				905,508	447,918	81,798
Other	38,596,167	57,617	34,831			70,401	2,324,594	18,079,940	8,798,129
Total	64,737,256	58,799	254,626	1,121		14,367,703	108,876,835	44,050,201	11,245,721

- (1) Contingent and non-contingent exposures to central governments or central banks
(2) Contingent and non-contingent exposures to regional governments or local authorities
(3) Contingent and non-contingent exposures to administrative bodies and non-commercial undertakings
(4) Contingent and non-contingent exposures to multilateral development banks
(5) Contingent and non-contingent exposures to international organizations
(6) Contingent and non-contingent exposures to banks and brokerage houses
(7) Contingent and non-contingent corporate receivables
(8) Contingent and non-contingent retail receivables
(9) Contingent and non-contingent exposures secured by real estate property
(10) Past due items
(11) Items in regulatory high-risk categories
(12) Exposures in the form of bonds secured by mortgages
(13) Securitization positions
(14) Short term exposures to banks, brokerage houses and corporate
(15) Exposures in the form of collective investment undertakings
(16) Other items

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	(10)	(11)	(12)	(13)	(14)	(15)	(16)	TL	FC	Total
	10,566	82,174						1,947,359	393,098	2,340,457
	8,743	75,493						1,549,025	100,593	1,649,618
	1,403	4,405						312,585	68,417	381,002
	420	2,276						85,749	224,088	309,837
	93,897	136,677						17,103,100	36,458,289	53,561,389
	2,656	8,160						526,787	899,333	1,426,120
	90,642	124,065						14,818,364	21,256,615	36,074,979
	599	4,452						1,757,949	14,302,341	16,060,290
	42,011	68,500						8,208,911	6,837,267	15,046,178
	83,809	1,259,917						67,503,609	38,956,501	106,460,110
	12,212	288,417						20,569,575	6,406,245	26,975,820
	11,142	50,017						1,373,927	3,049,544	4,423,471
	24,635	134,540						4,939,571	6,453,014	11,392,585
	2,707	17,207						31,742,286	14,446,195	46,188,481
	10,082	102,130						3,233,268	5,991,488	9,224,756
	16,147	588,768						4,199,962	1,686,244	5,886,206
	689	31,057						495,442	361,023	856,465
	6,195	47,781						949,578	562,748	1,512,326
	316,069	13,903,764				175,822	12,058,836	85,649,780	8,766,390	94,416,170
	546,352	15,451,032				175,822	12,058,836	180,412,759	91,411,545	271,824,304

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14. Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Risk Groups	Current Period					Total
	Remaining Maturities					
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,588,679	1,712,894	2,316,626	8,241,477	26,960,688	40,820,364
Contingent and Non-Contingent Receivables from Regional Governments or Domestic Governments	2,066	11,602	2,694	10,840	30,708	57,910
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	24,337	74,266	6,471	9,010	127,700	241,784
The multilateral development banks and non-contingent receivables		102	634	71	314	1,121
Contingent and Non-Contingent Receivables from Banks and Intermediaries	7,960,829	846,227	974,482	908,298	3,612,921	14,302,757
Contingent and Non-Contingent Corporate Receivables	9,142,084	7,081,587	10,575,476	15,959,943	61,553,093	104,312,183
Contingent and Non-Contingent Retail Receivables	7,228,452	4,121,613	4,563,903	6,500,239	8,274,896	30,689,103
Contingent and Non-Contingent Collateralized Receivables with Real Estate Mortgages	257,252	387,310	565,844	1,116,546	8,918,769	11,245,721
Receivables are identified as High Risk by the Board	447,964	755,255	1,112,521	3,355,513	9,717,328	15,388,581
Total	26,651,663	14,990,856	20,118,651	36,101,937	119,196,417	217,059,524

15. Information on Risk Classes:

In the calculation of the amount subject to credit risk, determining the risk weights related to risk classes stated on the sixth article of "Regulation on Measurement and Evaluation of Capital Adequacy Of Banks", is based on the Fitch Ratings' international rating with the Banking Regulation and Supervision Board's decision numbered 4577 dated 10 February 2012. While receivables from resident banks in abroad which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Banks and Brokerage Agencies" and receivables from central governments which is assessed in the risk class of "Contingent and Non-Contingent Receivables from Central Governments or Central Banks" will be subjected to risk weights with the scope of ratings; therefore domestic resident banks accepted as unrated, the risk weight is applied according to receivables from relevant banks, type of exchange and remaining maturity.

If a receivable-specific rating is performed, risk weights to be applied on the receivable are determined by the relevant credit rating.

The table related to mapping the ratings used in the calculations and credit quality grades, which is stated in the Annex of Regulation on Measurement and Assessment of Capital Adequacy of Banks, is given below:

Credit Quality Grades	1	2	3	4	5	6
Risk Rating	AAA via AA-	A+ via A-	BBB+ via BBB-	BB+ via BB-	B+ via B-	CCC+ and lower

There is no credit rating and credit export agency has been assigned for the items that are not included to trading accounts.

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Risk Amounts according to Risk Weights

Risk Weight	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Mitigation in Shareholders' Equity
Amount Before Credit Risk											
Mitigation	64,953,047		5,693,144	28,969,485	35,738,580	121,002,253	3,287,725	12,031,124	148,946		596,103
Amount After Credit Risk											
Mitigation ⁽¹⁾	64,953,047		5,693,144	28,969,485	35,738,580	121,002,253	3,287,725	12,031,124	148,946		596,103

⁽¹⁾ The effect of credit risk mitigation techniques for the determination of the capital adequacy ratio is excluded.

16. Miscellaneous Information According to Type of Counterparty of Major Sectors

Significant Sectors/Counterparty ⁽¹⁾	Loans		Value Adjustments ⁽³⁾	Provisions ⁽⁴⁾
	Impaired	Non-performing ⁽²⁾		
Agricultural	66,048	19,475	362	55,481
Farming and Raising Livestock	55,604	15,785	308	46,860
Forestry	7,924	2,895	34	6,521
Fishing	2,520	795	20	2,100
Industry	478,882	79,575	4,852	384,984
Mining	26,755	2,437	78	24,099
Production	431,751	74,691	4,615	341,109
Electricity, gas, and water	20,376	2,447	159	19,776
Construction	377,727	46,231	1,436	335,716
Services	559,415	151,585	7,278	475,606
Wholesale and Retail Trade	316,637	72,122	3,113	304,425
Hotel, Food and Beverage				
Services	35,986	8,958	463	24,844
Transportation and				
Telecommunication	79,844	24,386	1,858	55,209
Financial Institutions	9,926	339	24	7,219
Real Estate and Renting Services	38,258	34,365	905	28,176
Self-Employment Services	47,083	8,584	523	30,936
Education Services	4,867	1,066	151	4,178
Health and Social Services	26,814	1,765	241	20,619
Other	994,261	796,937	57,790	678,194
Total	2,476,333	1,093,803	71,718	1,929,981

⁽¹⁾ Amount includes finance lease and factoring receivables.

⁽²⁾ Refers to loans overdue up to 90 days. Related items included in the commercial installment loans and installment consumer loans are given only in the overdue amounts, the payment of these loans outstanding principal amounts of TL 606,313 and TL 1,044,945 respectively.

⁽³⁾ Refers to the general provisions for non-performing loans.

⁽⁴⁾ Refers to specific provision for impaired loans.

17. Information on Value Adjustments and Change in Credit Provisions

	Beginning Balance	Provisions	Reversal of Provisions	Other Value Adjustments ⁽¹⁾	Ending Balance
Specific Provisions	1,654,778	934,178	(665,071)	6,096	1,929,981
General Provisions	1,705,153	433,531	(39,920)	1,838	2,100,602

⁽¹⁾ Stating foreign exchange gains and losses.

III. Explanations on Consolidated Market Risk:

1. Explanations on Consolidated Market Risk:

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method and the Value at Risk (VAR) Method in accordance with the local regulations adopted from internationally accepted practices. In this context, currency risk emerges as the most important component of the market risk. The consolidated market risk measurements are carried out on a quarterly basis, using the Standard Method. The results are accounted in the legal reporting and evaluated with the top management.

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The VAR Method is another alternative for the Standard Method in measuring and monitoring market risk carried by the Parent Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Parent Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used to measure the losses that may occur in the ordinary market conditions are practiced, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Parent Bank's portfolio are determined and the results are reported to the Top Executive Management. Financial participations also make VAR calculations within the frame determined by the Parent Bank, and the results are reported to the Parent Bank's top management.

The limits set for the market risk management within the framework of the Parent Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out within the context of "Standard Method for Market Risk Measurement" and in compliance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" as of 31 December 2013.

1.a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk - Standard Method	68,801
(II) Capital Obligation against for Specific Risk - Standard Method	82,875
Capital Obligation for Specific Risk Related to Securitization Positions-Standard Method	
(III) Capital Obligation against for Currency Risk - Standard Method	244,266
(IV) Capital Obligation against for Stocks Risk - Standard Method	53,139
(V) Capital Obligation against for Exchange Risk - Standard Method	678
(VI) Capital Obligation against for Market Risk of Options - Standard Method	492
(VII) Capital Obligation against for Counterparty Credit Risk-Standard Method	87,866
(VIII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(IX) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI+VII)	538,117
(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)	6,726,463

1.b. Table of the average market risk related to the market risk calculated quarterly during the period ⁽¹⁾:

	Current Period			Prior Period ⁽²⁾		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	67,836	84,836	70,014	43,241	46,399	40,082
Share Certificate Risk	82,921	66,840	79,167	85,676	75,626	95,725
Currency Risk	176,745	244,266	130,770	262,126	262,762	261,490
Commodity Risk	27,783	53,139	24,797	10,966	16,022	5,909
Settlement Risk	879	678	361	147	294	
Options Risk	4,593	492	8,777	10,705	8,778	12,632
Counterparty Credit Risk	56,583	87,866	44,351	58,066	82,174	33,957
Total Value at Risk	5,216,750	6,726,463	4,477,963	5,886,588	6,150,688	5,622,438

⁽¹⁾ The balances are calculated as three-months period.

⁽²⁾ As per the legislation on capital adequacy effective from 1 July 2012, due to the calculation of Value At Market Risk methodology, the table is regulated for considering the period after the date of the above-mentioned.

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2. Information on counterparty credit risk:

A counterparty credit risk, which is accounts for trading derivatives and repo transactions tracked on both sides, such as the credit risk the liability arising from transactions, is determined by the methodology which is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which is published on the Official Gazette no.28337 dated 28 June 2012 and became effective starting from 1 June 2007. Counterparty credit risk valuation method based on the calculation of the fair value of the derivative transactions is implemented. The calculation of the amount of risk on derivative transactions, the potential amount of credit risk is positively correlated with the sum of the costs of renewal. The calculation of the amount of the potential credit risk of the contract amount is multiplied by the rates given in the regulation. Derivative instruments valuation based on replacement costs and the fair value of the related contracts are obtained.

The Bank is exposed to counterparty credit risk is managed within the framework of general principles and guarantees the credit limit allocation. Exposure to credit risk of derivative transactions with banks due to the majority of reciprocal agreements signed with related parties are subject to the daily exchange of collateral, counterparty credit risk exposure is reduced in this way. On the other hand, the calculation of capital adequacy under the legislation of counterparty credit risk, the risk-reducing effect of such agreements is not considered.

Within the scope of trading accounts with credit derivatives acquired or disposed of by the Bank does not have any protection.

Quantitative information on counterparty risk:

	Amount
Interest-Rate Contracts	55,543
Foreign-Exchange-Rate Contracts	459,837
Commodity Contracts	6,988
Equity-Shares Related Contracts	348
Other	
Gross Positive Fair Values	1,031,506
Netting Benefits	
Net Current Exposure Amount	
Collaterals Received	
Net Derivative Position	1,554,222

IV. Explanations on Consolidated Operational Risk

The operational risk capital requirement is calculated according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks' article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations. As of 31.12.2013 the consolidated operational risk amount is TL 13,629,748, information about the calculation is given below.

The information contained in the following table when using the basic indicator method:

	2PP Amount	1PP Amount	CP Amount	Total/Positive Years of Gross Income Amount	Rate (%)	Total
Gross Income	6,316,693	6,967,199	8,523,704	3	15	1,090,380
Value at operational risk (Total*12.5)						13,629,748

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V. Explanations on Consolidated Currency Risk

Foreign currency position risk for the Group is a result of the difference between the Group's assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. Furthermore, parity fluctuations of different foreign currencies are another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Parent Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within framework of the determined by the "Net Foreign Currency Overall Position/Shareholders' Equity" ratio, which is a part of the legal requirement and the internal currency risk limits specified by the Board of Directors. Foreign exchange risk management decisions are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging currency risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on currency risk are reported to the Key Management and the risks are closely monitored by taking into account the market and the economic conditions.

The Parent Bank's foreign currency purchase rates at the date of balance sheet and for the last five working days of the period announced by the Parent Bank in TL are as follows:

Date	USD	EUR
31. 12. 2013	2.1125	2.9068
30. 12. 2013	2.0942	2.8931
27. 12. 2013	2.1090	2.9100
26. 12. 2013	2.0794	2.8463
25. 12. 2013	2.0449	2.7991
24. 12. 2013	2.0400	2.7883

The Parent Bank's last 30-days arithmetical average foreign currency purchase rates:

USD: TL 2.0330

EUR: TL 2.7864

Sensitivity to currency risk:

The Group's sensitivity to any potential change in foreign currency rates has been analyzed. Within this framework, 10% change is anticipated in USD, EUR and GBP currencies and the possible impact of the related change is presented below. 10% is the ratio that is used in the internal reporting of the Parent Bank.

	% Change in Foreign Currency	Effects on Profit/Loss ⁽¹⁾	
		Current Period	Prior Period
USD	10% increase	65,831	228,999
	10% decrease	(65,831)	(228,999)
EUR	10% increase	(252,233)	(202,894)
	10% decrease	252,233	202,894
GBP	10% increase	26,756	76,740
	10% decrease	(26,756)	(76,740)
CHF	10% increase	(42,602)	(18,664)
	10% decrease	42,602	18,664

⁽¹⁾ Indicates the values before tax.

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Information on currency risk:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,992,552	7,911,155	3,240,266	18,143,973
Banks	1,618,821	2,672,397	416,290	4,707,508
Financial Assets at Fair Value through Profit/Loss ⁽¹⁾	172,886	396,182		569,068
Money Market Placements				
Financial Assets Available for Sale	776,453	6,431,522	33,243	7,241,218
Loans ⁽²⁾	21,525,420	39,586,783	1,597,565	62,709,768
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	238			238
Held to Maturity Investments	7,561	2,115	6,021	15,697
Derivative Financial Assets Held for Risk Management				
Tangible Assets ⁽¹⁾	47,158	50	47,437	94,645
Intangible Assets ⁽¹⁾				
Other Assets ⁽¹⁾	1,530,132	1,822,067	116,455	3,468,654
Total Assets	32,671,221	58,822,271	5,457,277	96,950,769
Liabilities				
Bank Deposits	1,411,064	1,148,016	339,250	2,898,330
Foreign Currency Deposits ⁽³⁾	24,704,534	23,425,398	5,449,786	53,579,718
Money Market Funds	227,748	3,932,612	16,117	4,176,477
Funds Provided from Other Financial Inst. ⁽⁴⁾	10,590,978	13,678,714	1,754	24,271,446
Marketable Securities Issued ⁽⁵⁾		7,926,657		7,926,657
Miscellaneous Payables	214,815	438,145	48,897	701,857
Derivative Financial Liabilities Held for Risk Management				
Other Liabilities ⁽¹⁾⁽⁶⁾	1,424,579	2,742,682	137,705	4,304,966
Total Liabilities	38,573,718	53,292,224	5,993,509	97,859,451
Net On Balance Sheet Position	(5,902,497)	5,530,047	(536,232)	(908,682)
Net Off Balance Sheet Position	3,479,654	(5,174,532)	350,310	(1,344,568)
Derivative Financial Assets ⁽⁷⁾	11,948,934	9,719,624	2,597,446	24,266,004
Derivative Financial Liabilities ⁽⁷⁾	8,469,280	14,894,156	2,247,136	25,610,572
Non-Cash Loans	7,803,123	14,950,534	906,332	23,659,989
Prior Period				
Total Assets	22,671,583	44,600,626	4,817,082	72,089,291
Total Liabilities	26,469,546	39,703,005	4,817,594	70,990,145
Net Balance Sheet Position	(3,797,963)	4,897,621	(512)	1,099,146
Net Off Balance Sheet Position	1,930,232	(2,942,156)	611,363	(400,561)
Derivative Financial Assets	5,798,988	7,213,488	2,593,562	15,606,038
Derivative Financial Liabilities	3,868,756	10,155,644	1,982,199	16,006,599
Non-Cash Loans	5,482,923	11,003,204	702,973	17,189,100

⁽¹⁾ 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 (TL 724,735), Operating Lease Development Costs (TL 4,659), Deferred Tax Asset (TL 8,538), Prepaid Expenses and Taxes (TL 38,462), Intangible Assets (TL 4,967) in assets and General Reserves (TL 27,339), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 310,469) and Shareholders' Equity (TL 85,108) in liabilities are not taken into consideration in the currency risk measurement.

⁽²⁾ Includes factoring receivables and foreign currency indexed loans, which are followed under TL account. Of the total amount of TL 6,191,780 of the aforementioned loans; TL 3,159,689 is USD indexed, TL 2,986,808 is EUR indexed, TL 7,555 is CHF indexed, TL 6,174 is GBP indexed, TL 31,541 is JPY indexed and TL 16 is CAD indexed. The balances include factoring receivables.

⁽³⁾ The item includes TL 3,235,823 precious metals deposit accounts.

⁽⁴⁾ Includes foreign currency indexed loans, which are followed under TL account. The total amount of TL 52,324 is indexed.

⁽⁵⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

⁽⁶⁾ The borrower funds are presented in the "Other Liabilities" according to their type of currency.

⁽⁷⁾ The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation

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VI. Explanations on Consolidated Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the interest sensitive assets, liabilities and off-balance sheet operations a result of interest rate fluctuations. The method of average maturity gap according to the repricing dates is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Parent Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly followed in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the yearend balance figures were the same throughout the year. Mentioned analysis shows how the FC and TL changes in interest rates by one point during the one-year period affect the Group's income accounts and shareholders' equity under the assumption maturity structure and balances are remain the same all year round at the end of the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate ⁽¹⁾		Effect On Profit/Loss ⁽²⁾		Effect on Equity ⁽³⁾	
TL	FC ⁽⁴⁾	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	(165,600)	(42,333)	(622,653)	(613,617)
1 point decrease	1 point decrease	184,304	64,876	673,953	672,686

⁽¹⁾ The effects on the profit/loss and shareholders' equity are stated with their before tax values.

⁽²⁾ The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

⁽³⁾ The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

⁽⁴⁾ Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

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a. Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing 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) and Balances with the Central Bank of Turkey						23,409,741	23,409,741
Banks	3,721,139	354,811	306,995			803,066	5,186,011
Financial Assets at Fair Value through Profit/Loss	661,853	793,556	719,286	375,689	164,538	221,103	2,936,025
Money Market Placements	139,910	465					140,375
Financial Assets Available for Sale	8,390,753	4,864,580	7,136,558	6,622,053	6,944,853	316,606	34,275,403
Loans ⁽¹⁾	30,467,977	25,548,068	32,418,435	45,004,317	13,199,978	43,607	146,682,382
Held to Maturity Investments	165,876	933,599	6,628,972				7,728,447
Other Assets	1,307,212	102,796	484,480	1,226,520	77,307	18,062,441	21,260,756
Total Assets	44,854,720	32,597,875	47,694,726	53,228,579	20,386,676	42,856,564	241,619,140
Liabilities							
Bank Deposits	3,226,259	371,608	306,972	14,805		272,657	4,192,301
Other Deposits	63,235,851	19,831,036	8,167,213	528,166	18,295	25,864,936	117,645,497
Money Market Funds	23,884,518	423,462	691,895				24,999,875
Miscellaneous Payables	580,371	1,580	1,851	3,417		10,562,921	11,150,140
Marketable Securities Issued ⁽²⁾	1,034,672	1,359,317	2,641,748	3,990,488	4,034,762		13,060,987
Funds Provided from Other Financial Institutions	8,361,937	10,497,048	6,077,090	948,409	1,445,971		27,330,455
Other Liabilities ⁽³⁾⁽⁴⁾	541,268	876,964	2,497,398	174,447	440	39,149,368	43,239,885
Total Liabilities	100,864,876	33,361,015	20,384,167	5,659,732	5,499,468	75,849,882	241,619,140
Balance Sheet Long Position			27,310,559	47,568,847	14,887,208		89,766,614
Balance Sheet Short Position	(56,010,156)	(763,140)				(32,993,318)	(89,766,614)
Off Balance Sheet Long Position	1,553,628	2,645,064					4,198,692
Off Balance Sheet Short Position			(816,452)	(2,968,171)	(219,926)		(4,004,549)
Total Position	(54,456,528)	1,881,924	26,494,107	44,600,676	14,667,282	(32,993,318)	194,143

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans are also included.

⁽³⁾ Equity is included in "non-interest bearing" column.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods):

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) and Balances with the Central Bank of Turkey						16,111,127	16,111,127
Banks	3,006,260	682,860	80,505			782,268	4,551,893
Financial Assets at Fair Value through Profit/Loss	368,828	745,742	538,110	137,716	70,456	341,789	2,202,641
Money Market Placements	81,675						81,675
Financial Assets Available for Sale	9,323,834	3,159,679	8,071,869	5,832,841	5,528,868	256,734	32,173,825
Loans ⁽¹⁾	33,584,462	14,239,146	26,859,888	33,953,698	7,577,925	18,304	116,233,423
Investments Held to Maturity	676,402	3,290,560	5,084,488	1,997,329			11,048,779
Other Assets	924,355	71,338	298,889	820,505	94,874	16,461,415	18,671,376
Total Assets	47,965,816	22,189,325	40,933,749	42,742,089	13,272,123	33,971,637	201,074,739
Liabilities							
Bank Deposits	2,308,441	404,997	258,284	11,863		228,227	3,211,812
Other Deposits	54,553,321	20,184,263	6,344,956	583,630	26,620	21,106,258	102,799,048
Money Market Funds	15,725,235	584,075	721,521				17,030,831
Miscellaneous Payables	230,187	1,967	258	3,557		8,948,509	9,184,478
Marketable Securities Issued ⁽²⁾	977,611	1,789,232	1,838,522	1,890,449	1,785,000		8,280,814
Funds Provided from Other Financial Institutions	8,910,894	5,247,654	3,743,469	289,720	970,175		19,161,912
Other Liabilities ⁽³⁾⁽⁴⁾	266,570	773,842	2,284,506	54,104	9,563	38,017,259	41,405,844
Total Liabilities	82,972,259	28,986,030	15,191,516	2,833,323	2,791,358	68,300,253	201,074,739
Balance Sheet Long Position			25,742,233	39,908,766	10,480,765		76,131,764
Balance Sheet Short Position	(35,006,443)	(6,796,705)				(34,328,616)	(76,131,764)
Off Balance Sheet Long Position	2,332,732	4,365,149					6,697,881
Off Balance Sheet Short Position			(3,128,493)	(2,860,887)	(391,330)		(6,380,710)
Total Position	(32,673,711)	(2,431,556)	22,613,740	37,047,879	10,089,435	(34,328,616)	317,171

⁽¹⁾ The balance includes factoring receivables.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which is classified on the balance sheet under the subordinated loans are also included.

⁽³⁾ Equity is included in "non-interest bearing" column.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

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b. Average interest rates applied to monetary financial instruments:

Current Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	2.61	2.40		8.67
Financial Assets at Fair Value through Profit/Loss	3.15	6.15		10.92
Money Market Placements				6.83
Financial Assets Available for Sale	4.73	4.51		8.32
Loans	4.63	4.40	3.47	11.64
Held to Maturity Investments	1.29	0.05		11.78
Liabilities				
Bank Deposits	1.71	0.94		6.65
Other Deposits	2.02	2.08	0.05	6.38
Money Market Funds	1.53	1.18		7.38
Miscellaneous Payables ⁽¹⁾				
Marketable Securities Issued		5.25		8.46
Funds	0.50	0.50		4.00
Funds Provided from Other Financial Institutions	1.27	1.77	2.49	8.82
Prior Period				
Prior Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.75	1.26		8.36
Financial Assets at Fair Value through Profit/Loss	2.31	5.24		8.04
Money Market Placements				5.90
Financial Assets Available for Sale	4.86	4.79		8.34
Loans	5.33	4.83	3.31	12.91
Held to Maturity Investments	0.75	0.05		12.51
Liabilities				
Bank Deposits	1.80	1.99		6.16
Other Deposits	2.22	2.26	0.01	6.40
Money Market Funds	1.96	1.41		5.72
Miscellaneous Payables				
Marketable Securities Issued		5.33		8.10
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.48	1.96		7.95

⁽¹⁾Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

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

Interest rate risk arising from the banking accounts is defined as negative effect risk on capital of the changes in market interest rates due to differences in interest settlement and re-pricing on, differences in interest-earning assets taking part in the banking book; interest-bearing liabilities; interest-bearing derivative transactions inclusive of the policies established by the Board of Directors, is managed within the framework of the strategies set by the Parent Bank Asset-Liability Committee. Compliance with internal risk limits for banking portfolio is closely and continuously monitored by the Risk Management Department and Asset-Liability Committee and the measurement results are reported to the Board of Directors on a monthly basis.

Duration and sensitivity analysis are conducted on a monthly basis by the Bank in the scope of monitoring of interest rate risk arising from the banking books about Interest Rate Risk in the Banking Accounts from the Regulation on Measurement and Assessment of Standard Shock Method which is published in the Official Gazette No. 28034 dated 23.08.2011. In the duration analysis, the maturity gap between assets and liabilities of the balance sheet are determined by the calculation of the weighted average maturities based on the asset that sensitive to interest rate and liabilities and off-balance sheet transactions re-pricing period. In the interest rate risk sensitivity analysis, the influence of the various interest rate change scenarios to the economic value of the Bank's capital is examined.

The interest rate risk of the banking book item in accordance with the legal regulations is measured and monitored on a monthly basis within the scope of the Regulation about Measurement and Assessment of Interest Rate Risk in the Banking Accounts by Standard Shock Method. In the calculations committed due to the mentioned regulations, behavioral maturity modeling method is used for the deposits with low sensitivity to interest rate changes and demand deposits which is original maturities is longer than contractual maturities. In the core deposit analysis, the historical data of demand deposit is used and calculated the how much and which maturity would remain within the Bank and these analysis is used as an input to not constitute a conflict of the legal provisions for quantifying the interest rate arising from banking book.

Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
TL	(+) 500	(3,871,922)	(13.98)%
TL	(-) 400	3,746,604	13.53%
EUR	(+) 200	(70,607)	(0.25)%
EUR	(-) 200	87,635	0.32%
USD	(+) 200	(362,130)	(1.31)%
USD	(-) 200	424,716	1.53%
Total (for Negative Shocks)		4,258,955	15.38%
Total (for Positive Shocks)		(4,304,659)	(15.54)%

VII. Explanations on Equity Shares Risk Arising from Banking Book

a. Related to the equity investments account practices about the associates and subsidiaries can be seen in the Third Section Note III.

b. Balance Sheet Value of Equity Investment, fair value, and for publicly traded, if the market value is different from the fair value comparison to the market price:

Share Certificate Investments	Comparison		
	Book Value	Book Value	Book Value
Quoted			
Stock Investment Group A			
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries	2,758,589		2,758,589
Non-Quoted			
Associate and Subsidiaries			
Financial Subsidiaries ⁽¹⁾	96,644		
Non-Financial Subsidiaries	671,466		
Subsidiaries			
Financial Subsidiaries			
Non-Financial Subsidiaries	647,852		

⁽¹⁾ Accounted under equity accounted method.

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c. Unrealized gains and losses on investment in stocks, revaluation increases with the amounts of main and additive capital:

Portfolio	Realized Gains/losses During the period	Revaluation Increases		Unrealized Gains		
		Total	Including to the Capital Contribution	Total	Including in to the main capital	Including to the Capital Contribution
Private Equity Investments						
Shares Traded on a Stock Exchange				1,512,118		680,453
Other Stocks						
Total				1,512,118		680,453

VIII. Explanations on Consolidated Liquidity Risk

Liquidity risk may arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Parent Bank's main source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Parent Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. The Parent Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Group analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Parent Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Parent Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank for the year ended 2013 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	149.64	142.48	103.54	107.25
Highest (%)	179.14	179.34	126.04	116.66
Lowest (%)	100.23	114.61	86.59	100.52

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	150.28	150.51	97.72	109.76
Highest (%)	172.36	175.69	113.42	125.15
Lowest (%)	125.96	119.19	88.25	103.75

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Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,336,580	15,056,665		16,496				23,409,741
Banks	984,061	3,538,140	356,815	306,995				5,186,011
Financial Assets at Fair Value through Profit/Loss	220,273	431,998	436,246	604,510	861,465	381,533		2,936,025
Money Market Placements		139,910	465					140,375
Financial Assets Available for Sale	316,606	690,487	1,008,654	4,796,807	12,828,083	14,634,766		34,275,403
Loans ⁽²⁾	6,946,486	13,601,399	11,387,358	40,236,770	59,445,663	14,518,353	546,353	146,682,382
Held to Maturity Investments			721,197	5,790,441	1,210,312	6,497		7,728,447
Other Assets	752,660	2,192,918	150,723	498,650	1,261,561	77,307	16,326,937	21,260,756
Total Assets	17,556,666	35,651,517	14,061,458	52,250,669	75,607,084	29,618,456	16,873,290	241,619,140
Liabilities								
Bank Deposits	289,201	3,209,715	371,608	306,972	14,805			4,192,301
Other Deposits	25,872,725	63,226,262	19,824,849	8,175,163	528,203	18,295		117,645,497
Funds Provided from Other Financial Institutions		1,580,129	1,580,305	10,427,360	8,205,662	5,536,999		27,330,455
Money Market Funds		23,617,880	99,900	286,022	558,129	437,944		24,999,875
Marketable Securities Issued ⁽³⁾		1,024,153	1,336,306	2,611,155	4,043,402	4,045,971		13,060,987
Miscellaneous Payables	6,273,624	4,729,330	64,129	37,961	45,096			11,150,140
Other Liabilities ⁽⁴⁾	2,281	1,933,804	1,090,312	2,494,670	174,447	476	37,543,895	43,239,885
Total Liabilities	32,437,831	99,321,273	24,367,409	24,339,303	13,569,744	10,039,685	37,543,895	241,619,140
Liquidity Gap	(14,881,165)	(63,669,756)	(10,305,951)	27,911,366	62,037,340	19,578,771	(20,670,605)	
Prior Period								
Total Assets	19,025,859	31,812,507	10,084,295	36,173,433	66,675,412	21,945,157	15,358,076	201,074,739
Total Liabilities	26,673,938	80,219,082	24,514,778	18,686,669	8,629,576	6,574,395	35,776,301	201,074,739
Liquidity Gap	(7,648,079)	(48,406,575)	(14,430,483)	17,486,764	58,045,836	15,370,762	(20,418,225)	

⁽¹⁾ Assets, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted into cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in 'Unallocated' column.

⁽²⁾ The balances include factoring receivables.

⁽³⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

⁽⁴⁾ The borrower funds are presented in "Up to 1 month" column in other liabilities.

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In compliance with the TFRS 7 "Financial Instruments: Disclosures", the following table indicates the maturities of the Group's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	220,273	17,535	73,636	312,502	896,481	586,110	2,106,537	459,346	1,647,191
Banks	984,061	3,547,565	361,667	314,857	1,027		5,209,177	23,166	5,186,011
Financial Assets Available for Sale	316,606	957,975	1,352,218	5,923,638	17,732,945	22,156,782	48,440,164	14,164,761	34,275,403
Loans ⁽¹⁾	6,946,486	14,078,414	12,597,889	45,593,375	70,328,130	16,679,462	166,223,756	20,087,726	146,136,030
Investments Held to Maturity		3,327	841,371	6,153,786	1,334,129	6,507	8,339,120	610,673	7,728,447
Liabilities									
Deposits	26,161,926	66,607,230	20,358,257	8,618,391	587,059	23,266	122,356,129	518,331	121,837,798
Funds Provided from Other Financial Institutions		1,579,427	1,628,539	10,694,975	8,984,762	5,851,899	28,739,602	1,409,147	27,330,455
Money Market Funds		23,629,319	101,075	299,797	623,117	446,744	25,100,082	(100,207)	24,999,875
Marketable Securities Issued (Net) ⁽²⁾		1,028,289	1,383,400	3,080,272	5,503,231	4,881,459	15,876,651	2,815,664	13,060,987

⁽¹⁾ The balances include factoring receivables. Non-performing loans are not included.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans are also included.

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
Assets									
Financial Assets Held for Trading	341,789	17,943	146,505	473,946	599,396	285,509	1,865,088	304,970	1,560,118
Banks	932,706	2,867,150	694,645	83,603			4,578,104	26,211	4,551,893
Financial Assets Available for Sale	256,734	1,720,751	754,763	5,806,943	16,866,584	14,000,825	39,406,600	7,232,775	32,173,825
Loans ⁽¹⁾	12,371,747	14,563,509	9,413,666	30,150,364	52,276,053	12,118,768	130,894,107	15,160,388	115,733,719
Investments Held to Maturity		515,270	292,581	3,750,520	8,193,582	6,755	12,758,708	1,709,929	11,048,779
Liabilities									
Deposits	21,346,638	56,998,136	20,769,477	6,744,323	651,164	35,322	106,545,060	534,200	106,010,860
Funds Provided from Other Financial Institutions		1,221,152	743,744	7,868,901	5,920,205	4,616,780	20,370,782	1,208,870	19,161,912
Money Market Funds		15,515,373	291,971	395,322	544,922	411,281	17,158,869	128,038	17,030,831
Marketable Securities Issued (Net) ⁽²⁾		979,535	1,672,266	2,201,888	2,585,699	2,320,500	9,759,888	1,479,074	8,280,814

⁽¹⁾ The balances include factoring receivables. Non-performing loans are not included.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans are also included.

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The following table shows the remaining maturities of non-cash loans of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	3,049,754	389,595	772,079	2,344,750	149,655	197,324	6,903,157
Letters of Guarantee	17,598,231	620,831	1,653,869	5,632,291	4,233,410	876,618	30,615,250
Acceptances	26,160	282,825	191,936	964,702	29,323		1,494,946
Other	9,235	62,808	64,494	77,049	50,385	492,728	756,699
Total	20,683,380	1,356,059	2,682,378	9,018,792	4,462,773	1,566,670	39,770,052
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,043,692	454,640	657,179	1,604,296	144,711	315,968	5,220,486
Letters of Guarantee	13,506,229	664,166	1,349,647	3,997,469	3,025,066	404,884	22,947,461
Acceptances	45,351	168,374	343,971	698,964	41,590		1,298,250
Other	28,863	88,260	39,889	54,413	42,850	376,735	631,010
Total	15,624,135	1,375,440	2,390,686	6,355,142	3,254,217	1,097,587	30,097,207

The following table shows the remaining maturities of derivative financial assets and liabilities of the Group.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	3,217,380	1,016,225	1,640,998	130,120		6,004,723
Forwards Contracts- Sell	3,231,421	1,036,552	1,642,433	129,205		6,039,611
Swaps Contracts -Buy	12,142,112	4,603,190	4,102,853	12,016,447	2,576,593	35,441,195
Swaps Contracts -Sell	12,138,490	4,576,290	4,109,040	11,843,280	2,576,570	35,243,670
Futures Transactions-Buy		15,802				15,802
Futures Transactions-Sell		16,276				16,276
Options-Call	1,534,622	1,222,704	3,316,450	471,158	520,828	7,065,762
Options-Put	1,523,863	1,214,926	3,317,007	471,158	520,828	7,047,782
Other	52,397	246,730	145,623			444,750
Total	33,840,285	13,948,695	18,274,404	25,061,368	6,194,819	97,319,571
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	4,042,852	1,153,656	1,722,416	167,416		7,086,340
Forwards Contracts- Sell	4,020,500	1,149,326	1,721,263	166,962		7,058,051
Swaps Contracts -Buy	6,255,817	1,486,052	5,680,018	8,301,550	1,919,583	23,643,020
Swaps Contracts -Sell	5,844,119	1,475,271	5,450,278	8,253,098	1,919,537	22,942,303
Futures Transactions-Buy		19,326				19,326
Futures Transactions-Sell		17,800				17,800
Options-Call	1,205,185	597,335	2,173,464	1,089,662	444,032	5,509,678
Options-Put	1,200,462	594,987	2,161,966	1,089,663	444,032	5,491,110
Other	381,103	40,327	40,832			462,262
Total	22,950,038	6,534,080	18,950,237	19,068,351	4,727,184	72,229,890

IX. Explanations on Securitization Positions

None.

X. Explanations on Credit Risk Mitigation Techniques

Activities carried out by the Bank that give rise to credit risk and collaterals are in accordance with the provisions of the relevant legislation. However, effect of credit risk mitigation techniques is not taken into account in the determination of the capital adequacy ratio.

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XI. Explanations on Risk Management Objectives and Policies

In addition to banking activities, activities of the entire the group as a whole is exposed to financial and non-financial risks which are required to be analyzed, monitored and reported within specific risk management principles of the Bank and with the perspective of Group risk management. The risk management process is organized within the framework of risk management and serves the creation of a common risk culture in corporate level; which brings "good corporate governance" to forefront, business units that undertaken risks and the independence between the internal audit and surveillance units are established, risk is defined in accordance with international regulations and in this context measurement, analysis, monitoring, reporting and control functions are carried.

Risk management process and the functions involved in the process is one of the primary responsibilities of the Board of Directors. The Risk Management Department, which operates under the Board of Directors has been organized as Asset-Liability Management Risk Unit, Credit Risk and Economic Capital Unit, Operational Risk and Model Verification and Subsidiary Risk Unit.

The Bank's risk management process is carried out within the framework of risk policies which are set by recommendations of Risk Management Department and issued by the Board of the Directors and written standards which contains risk policies and implemented by executive units.

These policies which are entered into force in line with the international practices are general standards which contains; organization and scope of the risk management function, risk measurement policies, duties and responsibilities of the risk management group, procedures for determining risk limits, ways to eliminate limit violations and approval and confirmation to be given in a variety of events and situations. The scope and content of the Parent Bank's risk management system is given by the main risk types.

Credit risk

Credit risk is defined as the risk of the failure to comply with the requirements or failing to fulfill its obligations partially or totally of the counter side of the transaction contract with the Parent Bank. The methodology and responsibilities of the credit risk management, controlling and monitoring and the framework of credit risk limitations specified with the credit risk policy.

The Bank defines measures and manages credit risk of the all products and activities. Board of Directors review the Parent Bank's credit risk policies and credit risk strategy on an annual basis as a minimum. Key Management is responsible for the implementation of credit risk policies which are approved by Board of Directors.

As a result of loans and credit risks analysis all findings are reported to Board of Directors and Key Management on a regular basis. In addition to transaction and company based credit risk assessment process, monitoring of credit risk also refers to an approach with monitoring and managing the credit as a whole maturity, sector, security, geography, currency, credit type and credit rating.

In the Parent Bank's credit risk management, along the limits as required by legal regulations, the Parent Bank utilizes the risk limits to undertake the maximum credit risk within risk groups or sectors that the Board of Directors determines. These limits are determined such a way that prevents risk concentration on particular sectors.

Excess risk limits up to legal requirements and boundaries limits are considered as an exception. The Board of Directors has the authority in exception process. The results of the control of risk limits and the evaluations of these limits are presented by Internal Audit and Risk Management Group to Key Management and Board of Directors.

The Bank uses credit decision support systems which are created for the purpose of credit risk management, lending decisions, controlling the credit process and credit provisioning. The consistency of the credit decision support systems with the structure of the Parent Bank's activities, size and complexity is examined continuously by internal systems. Credit decision support systems contain the Risk Committee assessment and approval of Board of Directors.

Asset and Liability Management Risk

Asset-liability management risk defined as the risk of Bank's incurring loss due to managing all financial risks, that are inflicted from the Bank's assets, liabilities and off-balance sheet transactions, ineffectively. Trading book portfolio's market risk, structural interest rate risk and liquidity risk of the banking portfolio; are considered within the scope of the asset liability management.

All principles and procedures related to the generating and management of asset and liability structure and "Risk Appetite" related to the capital to be allocated, are determined by the Board of Director. Complying the established risk limits and being at the limits that stipulated by the legislation are the primary priority of Asset-liability management risk. Risk limits are determined by the Board of Directors by taking into consideration of the Parent Bank's liquidity, target income level and general expectations about changes in risk factors and risk appetite.

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Board of Directors and the Audit Committee are responsible for following the Parent Bank's capital is used optimally; for this purpose, checking the status against risk limits and providing the necessary actions are taken.

Asset and Liability Management Committee is responsible for managing the Asset and Liability risk within the framework of operating principles that are involved in the risk appetite and risk limits are set by the Board of Directors in accordance with the policy statement.

Measurement of the Asset and Liability Management's risk, reporting of the measurement results and monitoring the compliance with risk limits are the responsibility of the Risk Management Department. The course of the risk taken is examined through different scenarios the measurement results are tested in terms of reliability and integrity. Information related to asset-liability management risk is reported to the Board of Directors by the Department of Risk Management through the Risk Committee and the Audit Committee.

Asset and liability management processes and compliance with the provisions of the policy are controlled and audited by the internal audit system. The execution of the audit, reporting the audit results, action plans for the elimination of errors and gaps identified as a result of inspections regarding the fulfillment of the principles, are determined by the Board of Directors.

Operational Risk

Operational risk is defined as "the probability of loss due to the inadequate or failed internal processes, people, systems, external factors or legal risks". All risks except financial risks are considered within the scope of operational risk. Studies consisted and are formed of occur by execution of identification, definition, measurement, analysis, monitoring of operational risk, providing and reporting the necessary control related to monitoring the progress of our country and the world, the development of techniques and methods, necessary legal reporting, notification and conduct of follow-up transactions. Studies on the subject are conducted by the Department of Risk Management.

Operational risks that arise due to the activities are defined in "Bank Risk Catalogue" and classified in respect of species. Bank Risk Catalogue is kind of the fundamental document that used for identification and classification of all at the risk that may be encountered. It is updated in line with the changes in the nature of the processes and activities.

Qualitative and quantitative methods are used in a combination for measurement and evaluation of the operational risks. In this process, information use that obtained from "Impact-Probability Analysis", "Missing Event Data Analysis", "Risk Indicators" methods. Methods prescribed by legal regulations are applied as minimum in determining the capital requirement level for the operating risk.

All risks are assessed in the context of operational risk, loss events and the risk indicators same as operational risks that occurred in the Parent Bank, are monitored on a regular basis by the Department of Risk Management and reported periodically to the Risk Committee and the Board of Directors.

XII. Explanations on Other Price Risk

The Group has investments in companies traded on the ISE is exposed to equity securities price risk. Shares are being acquired for investment purposes rather than.

The Bank's sensitivity to equity price risk at the reporting date an analysis was conducted to measure. In the analysis, with the assumption of all other variables were held constant (stock prices) are 10% higher or lower and is assumed that. According to this assumption in equity securities revaluation reserve account TL 275,859 (31.12.2012: TL 288,943) increase/decrease is expected to be. This, in fact, the fair value of publicly traded subsidiaries and associates the increase/decrease is due.

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XIII. Explanations on Presentation of Assets and Liabilities at Fair Value

1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Money Market Placements	140,375	81,675	140,375	81,675
Banks	5,186,011	4,551,893	5,205,191	4,561,539
Financial Assets Available for Sale	34,275,403	32,173,825	34,275,403	32,173,825
Investments Held to Maturity	7,727,935	11,048,779	7,728,447	11,838,343
Loans ⁽¹⁾	146,682,382	116,233,423	146,938,914	118,594,871
Financial Liabilities				
Banks Deposits	4,192,301	3,211,812	4,190,844	3,212,239
Other Deposits	117,645,497	102,799,048	117,626,195	102,768,626
Funds Provided from Other Financial Institutions	27,330,455	19,161,912	27,084,100	19,164,808
Marketable Securities Issued ⁽²⁾	13,060,987	8,280,814	12,817,699	8,480,954
Miscellaneous Payables	11,156,094	9,194,223	11,156,094	9,194,223

⁽¹⁾ Includes factoring amounts.

⁽²⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

2. Information on fair value measurements recognized in the financial statements

TFRS 7 "Financial Instruments: Disclosures" requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the consolidated financial statements at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,357,391	12,298	57,228
Equity Securities	55,273		
Derivative Financial Assets Held for Trading		1,288,834	
Other	12,832	152,169	
Financial Assets Available-for-Sale			
Debt Securities	23,280,621	6,457,145	4,088,062
Equity Securities ⁽¹⁾	20,889		
Other	132,969	219,824	
Investments in Subsidiaries and Associates ⁽²⁾	2,758,589		
Derivative Financial Liabilities		1,197,345	

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 75,893) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

⁽²⁾ Since unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in table.

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Prior Period	Level 1	Level 2	Level 3
Financial Assets at Fair Value Through Profit and Loss			
Debt Securities	1,200,588	11,184	6,558
Equity Securities	195,388		
Derivative Financial Assets Held for Trading		642,523	
Other	17,077	129,323	
Financial Assets Available-for-Sale			
Debt Securities	24,611,395	6,084,344	1,221,353
Equity Securities ⁽¹⁾	96,664		
Other		119,253	
Investments in Subsidiaries and Associates ⁽²⁾	2,889,429		
Derivative Financial Liabilities		760,440	

⁽¹⁾ Since they are not traded in an active market, the equity securities (TL 40,816) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

⁽²⁾ Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

There has not been any transition between level 1 and level 2 during the period.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
Balance at the Beginning of the Period	1,227,911	6,586,537
Purchases	2,995,775	18,576
Redemption or Sales	(297,139)	(3,191,156)
Valuation Difference	171,532	(135,876)
Transfers	47,211	(2,050,170)
Balance at the end of the Period	4,145,290	1,227,911

XIV. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions

The Group gives trading, custody, fund management services in the name and on the account of its customers. The Group has no fiduciary transactions.

XV. Explanations on Consolidated Business Segmentation

The Group's operations are classified as corporate, commercial, retail and private banking, and treasury/investment banking. While the commercial and corporate operations are differentiated by the Parent Bank and its financial institutions, according to their own criterion, in the classification of other operations, the same methods are applied by the Group.

Services to the large corporations, SMEs and other trading companies are provided through various financial media within the course of the corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

Retail banking services are comprised of individuals needs such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. Private banking category, are comprised of any kind of financial and cash management related services are provided for individuals within the high-income segment.

Treasury transactions are comprised of medium and long term funding tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Group's investments in unconsolidated associates and subsidiaries are evaluated within the context of investment banking.

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Statement of information related to business segmentation of the Group is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							14,853,908
Interest Income from Loans	2,694,840	4,659,878	3,279,487	39,690		205,890	10,879,785
Interest Income from Banks					162,261		162,261
Interest Income from Money Market Transactions					14,374		14,374
Interest Income from Securities					3,570,864		3,570,864
Finance Lease Income	60,556	65,490					126,046
Other Interest Income	32,605	20,542			863	46,568	100,578
Interest Expense							7,172,014
Interest Expense on Deposits	835,417	739,619	1,698,923	1,086,472		436,758	4,797,189
Interest Expense on Funds Borrowed	190,082				338,799		528,881
Interest Expense on Money Market Transactions					1,165,751		1,165,751
Interest Expense on Securities Issued					595,555		595,555
Other Interest Expense					348	84,290	84,638
Net Interest Income							7,681,894
Net Fees and Commissions Income							1,468,946
Fees and Commissions Received	227,869	1,034,589	900,044	22,837	200,214	14,657	2,400,210
Fees and Commissions Paid	359,444	214,183	150		125,786	231,701	931,264
Dividend Income					238,057		238,057
Trading Income/Loss (Net)					378,591		378,591
Other Income	1,038,827	1,813,698	1,011,796	30	313,579	447,403	4,625,333
Prov. for Loans and Other Receivables	36,879	560,619	298,209	1,552	26,721	730,721	1,654,701
Other Operating Expense	792,648	2,285,810	2,198,387	28,826	282,125	2,720,443	8,308,239
Income Before Tax							4,429,881
Tax Provision							823,022
Net Period Profit							3,606,859
Group Profit/Loss							3,235,921
Non-controlling Interest Profit/Loss							370,938
SEGMENT ASSETS							
Financial Assets at FV Through P/L					2,936,025		2,936,025
Banks and Other Financial Institutions					5,186,011		5,186,011
Money Market Placements					140,375		140,375
Financial Assets Available for Sale					34,275,403		34,275,403
Loans and Receivables	52,900,499	53,664,424	34,014,279	501,812		4,655,257	145,736,271
Held to Maturity Investments					7,728,447		7,728,447
Associates and Subsidiaries					4,174,551		4,174,551
Lease Receivables	1,215,477	817,888			757		2,034,122
Other	957,127	278,196			1,342,182	36,830,430	39,407,935
							241,619,140
SEGMENT LIABILITIES							
Deposits	17,290,610	24,758,068	48,624,102	22,226,914		8,938,104	121,837,798
Derivative Financial Liabilities Held for Trading					1,197,345		1,197,345
Funds Borrowed	11,209,648				16,120,807		27,330,455
Money Market Funds					24,999,875		24,999,875
Marketable Securities Issued ⁽¹⁾					13,060,987		13,060,987
Other Liabilities ⁽²⁾	45,032				158,214	16,175,840	16,379,086
Provisions						10,918,968	10,918,968
Shareholders' Equity						25,894,626	25,894,626
							241,619,140

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

⁽²⁾ The borrower funds are presented in "Other Liabilities".

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Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
OPERATING INCOME/EXPENSE							
Interest Income							14,676,856
Interest Income from Loans	2,182,957	4,567,218	3,114,740	45,054		219,994	10,129,963
Interest Income from Banks					199,780		199,780
Interest Income from Money Market Transactions					7,762		7,762
Interest Income from Securities					4,135,462		4,135,462
Finance Lease Income	47,791	59,319					107,110
Other Interest Income	30,354	18,754	1			47,670	96,779
Interest Expense							7,834,591
Interest Expense on Deposits	1,073,789	973,261	1,802,465	1,251,535		308,044	5,409,094
Interest Expense on Funds Borrowed	157,951				259,787		417,738
Interest Expense on Money Market Transactions					1,476,204		1,476,204
Interest Expense on Securities Issued					454,618		454,618
Other Interest Expense					863	76,074	76,937
Net Interest Income							6,842,265
Net Fees and Commissions Income							1,258,319
Fees and Commissions Received	237,050	521,742	588,128	17,106	125,172	592,236	2,081,434
Fees and Commissions Paid	229,919	329,511	83		67,582	196,020	823,115
Dividend Income					205,032		205,032
Trading Income/Loss (Net)					871,070		871,070
Other Income	1,143,989	1,232,846	1,628,798	277	242,517	323,451	4,571,878
Prov. for Loans and Other Receivables	19,673	427,490	244,815	868	26,964	571,735	1,291,545
Other Operating Expense	1,022,088	1,693,298	2,813,307	73,774	196,775	1,984,131	7,783,373
Income Before Tax							4,673,646
Tax Provision							958,912
Net Period Profit							3,714,734
Group Profit/Loss							3,412,022
Non-controlling Interest's Shares' Profit/Loss							302,712
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L					2,202,641		2,202,641
Banks and Other Financial Institutions					4,551,893		4,551,893
Money Market Placements					81,675		81,675
Financial Assets Available for Sale					32,173,825		32,173,825
Loans and Receivables	41,675,594	42,829,013	27,461,747	403,235		2,848,894	115,218,483
Investments Held to Maturity					11,048,779		11,048,779
Associates and Subsidiaries					4,398,434		4,398,434
Lease Receivables	755,981	625,349			3,125		1,384,455
Other	1,148,704	169,652	1,159		1,108,704	27,586,335	30,014,554
							201,074,739
SEGMENT LIABILITIES							
Deposits	22,271,049	20,078,111	42,741,297	17,726,355		3,194,048	106,010,860
Derivative Financial Liabilities Held for Trading					760,440		760,440
Funds Borrowed	8,235,783				10,926,129		19,161,912
Money Market Funds					17,030,831		17,030,831
Marketable Securities Issued ⁽¹⁾					8,280,814		8,280,814
Other Liabilities ⁽²⁾	41,365				179,633	14,490,072	14,711,070
Provisions						10,260,057	10,260,057
Shareholders' Equity						24,858,755	24,858,755
							201,074,739

⁽¹⁾ Secondary subordinated issued bonds having credit quality, which are classified on the balance sheet under the subordinated loans, are also included.

⁽²⁾ The borrower funds are presented in "Other Liabilities".

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SECTION FIVE: DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Disclosures and Footnotes on Consolidated Assets

a. Cash and CBT:

a.1. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,338,785	850,817	1,064,233	616,428
Central Bank of Turkey	3,926,983	17,225,668	1,555,640	12,776,027
Other		67,488		98,799
Total	5,265,768	18,143,973	2,619,873	13,491,254

a.2. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3,926,983	2,152,509	1,555,640	1,440,136
Unrestricted Time Deposit				
Restricted Time Deposit				
Other ⁽¹⁾		15,073,159		11,335,891
Total	3,926,983	17,225,668	1,555,640	12,776,027

⁽¹⁾ The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

a.3. Information on reserve requirements:

As per the Communiqué numbered 2013/15 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11.5% for TL deposits and other liabilities, between 9%-13% for FC deposits and between 6%-13% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

b. Information on Financial Assets at Fair Value through Profit and Loss:

b.1. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2013 are amounting to TL 16,325 (31 December 2012: TL 44,206).

b.2. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2013 are amounting to TL 923,203 (31 December 2012: TL 816,410).

b.3. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	4,256	117,032	66,134	13,888
Swap Transactions	31,296	995,389	82,178	437,811
Futures	11	147	180	6
Options	4,749	135,950	6,288	33,529
Other	4			2,509
Total	40,316	1,248,518	154,780	487,743

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

c. Information on Banks:

c.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	376,598	3,449,601	2,747,911	484,448
Foreign Banks	101,905	1,257,907	94,992	1,224,542
Foreign Head Office and Branches				
Total	478,503	4,707,508	2,842,903	1,708,990

c.2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	620,713	741,057		
USA, Canada	158,681	168,707	106	89
OECD Countries ⁽¹⁾	152,177	58,473		
Off-shore Banking Regions				
Other	333,173	280,713	94,962	70,495
Total	1,264,744	1,248,950	95,068	70,584

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

d. Information on Financial Assets Available for Sale:

d.1. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked amount to TL 5,576,279 as of 31 December 2013 (31 December 2012: TL 4,557,148).

d.2. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements amount to TL 18,383,911 as of 31 December 2013 (31 December 2012: TL 10,878,084).

d.3. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	34,622,480	31,945,060
Quoted on a Stock Exchange	24,819,843	25,157,963
Not-Quoted ⁽¹⁾	9,802,637	6,787,097
Share Certificates	111,857	148,435
Quoted on a Stock Exchange	23,119	98,830
Not-Quoted	88,737	49,605
Value Increases/Impairment Losses (-)	678,757	38,923
Other	219,824	119,253
Total	34,275,403	32,173,825

⁽¹⁾ Refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

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Notes to the Consolidated Financial Statements
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e. Information related to loans:

e.1. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	218,120	204	183,695	175
Total	218,120	204	183,695	175

e.2. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other receivables	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Non-specialized loans	142,953,401	2,482,365	1,655,166	2,236,518	537,351	67,785
Corporation loans	66,218,710	485,798		736,692	91,963(1)	54,347
Export loans	7,711,773	4,676		69,905	4,724	
Import loans						
Loans Given to Financial Sector	3,649,290			756		
Consumer loans	27,964,454	1,838,568	1,592,743	717,225	95,791	13,046
Credit Cards	10,644,603			375,037	176,538	
Other	26,764,571	153,323	62,423	336,903	168,335	392
Specialized Loans						
Other Receivables						
Total	142,953,401	2,482,365	1,655,166	2,236,518	537,351	67,785

⁽¹⁾ The amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	2,379,209	527,825(1)
Extended for 3,4 or 5 Times	72,912	3,504
Extended for More than 5 Times	30,244	6,022

⁽¹⁾ The amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
The Time Extended via the Amendment on Payment Plan		
0-6 Months	718,493	21,385
6 Months - 12 Months	247,220	136,606
1-2 Years	524,657	87,350
2-5 Years	841,884	166,029(1)
5 Years and More	150,111	125,981(1)

⁽¹⁾ The amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

e.3. Information on Maturity analysis of cash loans:

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans and Other Receivables	40,363,289	93,591	575,007	45,676
Non-Specialization Loans	40,363,289	93,591	575,007	45,676
Specialization Loans				
Other Receivables				
Medium and Long-term Loans and Other Receivables	102,590,112	4,043,940	1,661,511	559,460
Non-Specialization Loans	102,590,112	4,043,940	1,661,511	559,460(1)
Specialization Loans				
Other Receivables				

⁽¹⁾ The amount of TL 32,032 used to maritime sector, consists of extended payment plan loans with the scope of temporary 6. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

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e.4. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	453,943	27,274,054	168,555	27,896,552
Real Estate Loans	15,109	11,634,334	69,315	11,718,758
Vehicle Loans	14,701	1,278,900	7,339	1,300,940
General Purpose Consumer Loans	73,478	1,554,910	11,985	1,640,373
Other Consumer Loans	350,655	12,805,910	79,916	13,236,481
Consumer Loans - FC Indexed		33,091	25,570	58,661
Real Estate Loans		33,084	25,566	58,650
Vehicle Loans		7	4	11
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans - FC	18,981	252,457	904	272,342
Real Estate Loans		2,853		2,853
Vehicle Loans	31	451	1	483
General Purpose Consumer Loans	18,920	247,442	889	267,251
Other Consumer Loans	30	1,711	14	1,755
Retail Credit Cards-TL	8,953,679	1,013,433	31,231	9,998,343
With Installments	4,344,349	1,013,433		5,357,782
Without Installments	4,609,330		31,231	4,640,561
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	7,590	72,859	543	80,992
Real Estate Loans		1,606	134	1,740
Vehicle Loans	15	1,730	9	1,754
General Purpose Consumer Loans	502	7,521	59	8,082
Other Consumer Loans	7,073	62,002	341	69,416
Personnel Loans- FC Indexed		277	221	498
Real Estate Loans		277	221	498
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	595	4,259	9	4,863
Real Estate Loans		381		381
Vehicle Loans		55		55
General Purpose Consumer Loans	582	3,512	7	4,101
Other Consumer Loans	13	311	2	326
Personnel Credit Cards-TL	124,107		347	124,454
With Installments	58,539			58,539
Without Installments	65,568		347	65,915
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts - TL (real persons)	323,071		4,995	328,066
Overdraft Accounts - FC (real persons)	32,143	7,521	41	39,705
Total	9,914,109	28,657,951	232,416	38,804,476

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

e.5. Information on commercial installments loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	1,360,896	17,755,089	148,506	19,264,491
Real Estate Loans	1,646	770,377	4,498	776,521
Vehicle Loans	74,414	2,718,545	15,445	2,808,404
General Purpose Commercial Loans	1,279,304	13,897,447	122,367	15,299,118
Other Commercial Loans	5,532	368,720	6,196	380,448
Commercial Loans With Installments-FC Indexed	55,010	1,539,496	361,744	1,956,250
Real Estate Loans		73,999	18,406	92,405
Vehicle Loans	1,172	513,205	125,905	640,282
General Purpose Commercial Loans	53,838	908,180	203,209	1,165,227
Other Commercial Loans		44,112	14,224	58,336
Commercial Loans With Installments-FC	43,142	729,497	12,472	785,111
Real Estate Loans		1,629		1,629
Vehicle Loans		455		455
General Purpose Commercial Loans	30,554	206,952	1,062	238,568
Other Commercial Loans	12,588	520,461	11,410	544,459
Corporate Credit Cards-TL	854,436	39,625	2,782	896,843
With Installments	255,922	39,625		295,547
Without Installments	598,514		2,782	601,296
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts - TL (corporate)	777,375		8,471	785,846
Overdraft Accounts - FC (corporate)	113,453	13,138		126,591
Total	3,204,312	20,076,845	533,975	23,815,132

e.6. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	2,157,493	1,965,843
Private Sector	143,578,778	113,252,640
Total	145,736,271	115,218,483

e.7. Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	142,660,172	112,859,489
Foreign Loans	3,076,099	2,358,994
Total	145,736,271	115,218,483

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**Notes to the Consolidated Financial Statements
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e.8. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	15,428	67,524
Indirect Loans Granted to Subsidiaries and Associates		
Total	15,428	67,524

e.9. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	59,310	57,272
Loans and Receivables with Doubtful Collectability	250,662	225,595
Uncollectible Loans and Receivables	1,620,009	1,371,911
Total	1,929,981	1,654,778

e.10. Information on non-performing loans (Net):

e.10.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled by the Group:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period			
(Gross amounts before the specific provisions)	2,988	20,278	60,054
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	2,988	20,278	60,054
Prior Period			
(Gross amounts before the specific provisions)	2,422	40,376	46,354
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	2,422	40,376	46,354

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

e.10.2. Movement of total non-performing loans:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Prior Period Ending Balance	281,477	455,384	1,417,621
Corporate and Commercial Loans	139,002	283,250	1,004,164
Retail Loans	87,429	99,747	189,778
Credit Cards	55,046	72,387	176,133
Other			47,546
Additions (+)	1,509,659	54,851	128,510
Corporate and Commercial Loans	706,609	32,370	48,760
Retail Loans	455,986	5,028	65,566
Credit Cards	347,064	17,453	6,763
Other			7,421
Transfers from Other NPL categories (+)		1,138,741	896,683
Corporate and Commercial Loans		591,970	548,301
Retail Loans		310,266	190,334
Credit Cards		236,505	158,048
Other			
Transfers to Other NPL categories (-)	1,138,741	896,683	
Corporate and Commercial Loans	591,970	548,301	
Retail Loans	310,266	190,334	
Credit Cards	236,505	158,048	
Other			
Collections (-) ⁽¹⁾	363,180	256,608	545,662
Corporate and Commercial Loans	115,366	101,448	353,754
Retail Loans	150,101	89,616	127,232
Credit Cards	97,713	65,544	61,739
Other			2,937
Write-Offs (-) ⁽¹⁾	281	680	220,564
Corporate and Commercial Loans	91	44	119,091
Retail Loans	123	244	36,463
Credit Cards	67	392	63,670
Other			1,340
Foreign Currency Effect	3,329	3,335	9,142
Corporate and Commercial Loans	1,895	2,773	7,046
Retail Loans	1,434	562	2,096
Credit Cards			
Other			
Current Period Ending Balance	292,263	498,340	1,685,730
Corporate and Commercial Loans	140,079	260,570	1,135,426
Retail Loans	84,359	135,409	284,079
Credit Cards	67,825	102,361	215,535
Other			50,690
Specific Provisions (-)	59,310	250,662	1,620,009
Corporate and Commercial Loans	27,467	131,143	1,105,583
Retail Loans	18,177	68,206	248,201
Credit Cards	13,666	51,313	215,535
Other			50,690
Net Balance on Balance Sheet	232,953	247,678	65,721

⁽¹⁾ In the current period, a portion of non-performing loans amounting to TL 87,849 is sold to LBT Varlık Yönetim A.Ş. for TL 10,430. Besides non-performing loans amounting to TL 163,865 including previously written off receivables amounting to TL 106, sold to the Girişim Varlık Yönetim A.Ş. for TL 32,041.

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e.10.3. Information on the Group's foreign currency non-performing loans and other receivables:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	39,673	53,259	383,809
Specific Provisions (-)	8,293	27,010	383,809
Net Balance on Balance Sheet	31,380	26,249	
Prior Period:			
Period Ending Balance	19,495	41,911	390,556
Specific Provisions (-)	4,445	18,165	374,018
Net Balance on Balance Sheet	15,050	23,746	16,538

e.10.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans to Individuals and Corporate (Gross)	292,263	498,340	1,634,949
Specific Provisions (-)	59,310	250,662	1,569,228
Loans to Individuals and Corporate (Net)	232,953	247,678	65,721
Banks (Gross)			91
Specific Provisions (-)			91
Banks (Net)			
Other Loans and Receivables (Gross)			50,690
Specific Provisions (-)			50,690
Other Loans and Receivables (Net)			
Prior Period (Net)			
Loans to Individuals and Corporate (Gross)	281,477	455,384	1,370,005
Specific Provisions (-)	57,272	225,595	1,324,295
Loans to Individuals and Corporate (Net)	224,205	229,789	45,710
Banks (Gross)			70
Specific Provisions (-)			70
Banks (Net)			
Other Loans and Receivables (Gross)			47,546
Specific Provisions (-)			47,546
Other Loans and Receivables (Net)			

e.11. Main principles of liquidating for uncollectible loans and other receivables:

In order to ensure the liquidation of non-performing loans, all possibilities evaluated to ensure maximum collection according to the legislation. First of all, administrative initiatives are taken to deal with the borrower. Collection through legal proceedings used if there is no possibility of collection and configuration with the interviews for other receivables.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

e.12. Explanations on write-off policy:

When the failure to obtain due to lack of legal follow-up, because of the absence of redeemable assets of debtors or although conversion of all the assets of debtors with the scope of legal follow-up, there is a remaining receivable balance, receivable, by such evidence is available on borrowers, reduced to one. Such evidence cannot be obtained, uncollectible receivables are written-off by the destruction

f. Held to Maturity Investments:

f.1. Information on held to maturity investments, which are given as collateral or blocked:

As of 31 December 2013, held to maturity investments, which are given as collateral or blocked amount to TL 1,205,865 (31 December 2012: TL 1,813,422).

f.2. Information on held to maturity investments, which are subject to repurchase agreements:

As of 31 December 2013, assets held to maturity, which are subject to repurchase agreements amount to TL 5,492,696 (31 December 2012: TL 4,200,685).

f.3. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	7,704,816	11,033,267
Treasury Bills		
Other Public Debt Securities		
Total	7,704,816	11,033,267

f.4. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	7,728,447	11,048,779
Quoted on a Stock Exchange	7,704,816	11,033,267
Not Quoted ⁽¹⁾	23,631	15,512
Impairment Losses (-)		
Total	7,728,447	11,048,779

⁽¹⁾ Indicates unlisted debt securities, and debt securities that have not been traded at the end of the related periods although they are listed.

f.5. Movement of held to maturity investments within the period

	Current Period	Prior Period
Beginning Balance	11,048,779	13,707,432
Foreign Exchange Differences Arising on Monetary Assets	2,601	346
Purchases During the Year	24,953	14,913
Disposals through Sales and Redemption	(3,673,498)	(3,064,247)
Impairment Losses (-)		
Valuation Effect	325,612	390,335
Balance at the End of the Period	7,728,447	11,048,779

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g. Information on Associates (Net):

g.1. Information on unconsolidated associates: None.

g.2. Information on consolidated associates:

Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1- Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	79.42

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3,466,934	469,698	27,850	115,593	66	48,534	59,860	

⁽¹⁾ Includes interest income on securities.

g.3. Movement of investments in consolidated associates:

	Current Period	Prior Period
Beginning balance	85,295	85,295
Movements during the period		
Purchases		
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	85,295	85,295
Capital commitments		
Contribution in equity at the end of the period (%)		

g.4. Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		
Total	85,295	85,295

g.5. Consolidated associates traded on a stock exchange: None.

g.6. Consolidated associates disposed of in the current period: None.

g.7. Consolidated associates acquired in the current period: None.

g.8. Other issues related to associates:

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. sold all the shares of Aras Kargo A.Ş., to Post 206 Beteiligungs GmbH with the value of TL 100,000 and sold all the shares of Türkmed Diyaliz Böbrek Sağlığı Kurumları A.Ş. to Basri Yılmaz with the value of TL 500. As a result of these sales transactions, TL 80,084 profit was obtained.

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h. Information on subsidiaries (Net):

h.1. Information on the significant size of the subsidiaries' equity:

	Türkiye Sınai Kalkınma Bankası A.Ş.	Insurance/ Reinsurance Companies	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Yatırım Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
SHAREHOLDERS' EQUITY	1,888,601	1,724,039	1,155,973	832,544	595,985
Paid-in Capital	1,300,374	1,465,000	870,146	310,500	424,365
Share Premium			424	1,302	
Reserves	262,926	273,461	19,758	36,778	99,899
Current Period Profit and Prior Periods' Profit	326,057	69,786	265,758	165,236	58,365
Non-Controlling Interest Rights				398,953	15,109
Deductions from Shareholders' Equity (-)	756	84,208	113	80,225	1,753
SUPPLEMENTARY CAPITAL	138,562	149,396		2,094	3,721
CAPITAL	2,027,163	1,873,435	1,155,973	834,638	599,706
DEDUCTIONS FROM THE CAPITAL	356				
CONSOLIDATED CAPITAL	2,026,807	1,873,435	1,155,973	834,638	599,706

h.2. Information on unconsolidated subsidiaries: None.

h.3. Information on consolidated subsidiaries:

	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Rights (%) ⁽¹⁾	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/Turkey	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/Turkey	71.55	28.45
3-	Camiş Menkul Değerler A.Ş.	İstanbul/Turkey	67.60	32.40
4-	CJSC İşbank	Moscow/Russia	100.00	0.00
5-	Efes Varlık Yönetim A.Ş.	İstanbul/Turkey	63.96	36.04
6-	Is Investments Gulf Ltd.	Dubai/UAE	67.62	32.38
7-	İş B Tipi Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	22.75	77.25
8-	İş Faktoring A.Ş.	İstanbul/Turkey	40.73	59.27
9-	İş Finansal Kiralama A.Ş.	İstanbul/Turkey	40.10	59.90
10-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	50.42	49.58
11-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	33.48	66.52
12-	İş Portföy Yönetimi A.Ş.	İstanbul/Turkey	65.84	34.16
13-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	67.62	32.38
14-	İşbank AG	Frankfurt/Germany	100.00	0.00
15-	Maxis Investments Ltd.	London/England	67.62	32.38
16-	Milli Reasürans T.A.Ş.	İstanbul/Turkey	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	25.93	74.07
18-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/Turkey	43.01	56.99
19-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/Turkey	41.74	58.26

⁽¹⁾ Indirect share of the Group is considered as the Parent Bank's share percentage.

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Financial statement information related to consolidated subsidiaries in the above order:

	Total Assets	Shareholder Equity	Total Tangible Assets	Interest Income ⁽¹⁾	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value	Additional Shareholders' Equity Required
1-	2,992,599	652,845	97,605	86,271	43,003	66,403	(55,791)		
2-	7,908,679	540,143	26,684	232,141	33,851	84,706	80,952		
3-	17,031	2,912	615	1,238	517	(285)	(903)		
4-	483,610	103,625	47,921	29,518	185	(16,040)	(2,479)		
5-	110,660	15,923	3,909	17,188		1,644	(4,231)		
6-	1,823	1,699	229			(41)	61		
7-	261,877	260,683	102	5,308	4,946	4,377	47,527		
8-	971,615	69,461	648	53,491	1,505	11,944	4,574		
9-	3,492,581	603,638	2,958	188,495	2,573	42,189	41,801		
10-	1,668,720	1,156,086	1,379,950	5,630	1,109	116,157	65,408		
11-	420,681	268,703	84,272	8,004	2,841	66,919	51,676		
12-	80,906	75,181	1,968	4,690	403	10,472	9,578		
13-	4,935,366	917,423	95,408	194,142	139,022	125,312	137,364		
14-	2,643,785	378,985	52,444	100,712	3,001	2,476	15,188		
15-	95,805	15,922	739	8,225		2,917	897		
16-	1,847,224	702,006	43,700	65,176	20,412	22,639	98,349		
17-	376,188	208,995	335,484	1,117		-26,167	17,047		
18-	13,439,216	2,017,534	248,941	657,490	23,443	295,154	325,151		
19-	733,968	73,195	4,242	24,802	21,792	2,924	2,851		

⁽¹⁾ Includes interest income on securities.

h.4. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	3,420,134	2,369,463
Movements in the Period		
Purchases ⁽¹⁾	205,075	225,428
Bonus Shares Acquired		
Dividends Received from the Current Year Profit		
Sales		
Revaluation Surplus ⁽²⁾	69,499	825,243
Impairment		
Balance at the End of the Period	3,694,708	3,420,134
Capital Commitments		
Contribution in equity at the end of the period (%)		

⁽¹⁾ Balances in the current period, the consolidated profit of the subsidiaries have realized that stems from acquisitions related to capital increases

⁽²⁾ The relevant amounts represent the increases and decreases in the market value of subsidiaries quoted on the stock exchange.

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h.5. Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,369,683	1,386,942
Insurance Companies	1,592,835	1,230,445
Factoring Companies		
Leasing Companies	112,051	110,282
Finance Companies		
Other Financial Subsidiaries	620,139	692,465
Total	3,694,708	3,420,134

h.6. Consolidated subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	2,829,152	2,609,034
Traded on foreign stock exchanges		

h.7. Consolidated subsidiaries disposed of in the current period: None.

h. 8. Subsidiaries acquired in the current period: None.

h. 9. Other issues on subsidiaries:

The Bank owned 86.90% shares, which equals to TL 77,776, of the Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.'s capital with the amount of TL 89,500, All shares, and The Bank owned 99.98% shares, which equals to TL 18,627, of the Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.'s capital with the amount of TL 18,630, all shares, owned by the Bank, has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş, with the value of TL 127,315 and TL 87,010 the sales amount has been paid in advance, As a result of this sales process, sales profit has been made with the amount of TL 913 and TL 55,663 .

i. Information on jointly controlled entities (Net):

There are no jointly controlled entities of the Parent Bank.

j. Information regarding finance lease receivables (Net):

j.1. Presentation of finance lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	860,283	729,537	560,948	462,386
1-4 Years	1,202,497	1,052,078	839,058	724,509
More than 4 Years	264,641	251,750	206,619	194,435
Total	2,327,421	2,033,365	1,606,625	1,381,330

j.2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
Gross Finance Lease Investment	2,327,421	1,606,625
Unearned Finance Revenue from Finance Lease (-)	294,056	225,295
Net Finance Lease Investment⁽¹⁾	2,033,365	1,381,330

⁽¹⁾ The Group's portfolio of non performing lease receivables in the current year, part of the TL 11,884 transferred to Türksasset Varlık Yönetim A.Ş as a value of TL 96 and part of 5,580 TL receivables previously written off transferred to the LBT Varlık Yönetim A.S. as a value of TL 189.

j.3. Presentation of operating lease receivables according to their remaining maturities:

The Group's short term operating lease receivables is TL 757 as of 31 December 2013. (31 December 2012: TL 3,125)

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k. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

l. Information on Tangible Assets (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,723,624	68,553	19,737	1,636,878	5,448,792
Movements in the Period					
Acquisitions ⁽¹⁾	160,996	63,435	4,183	242,823	471,437
Disposals	(221,734)	(1,004)	(2,210)	(28,256)	(253,204)
Impairment ⁽²⁾	45,609				45,609
Transfers	(46,287)	(6,766)			(53,053)
Foreign Currency Difference	14,450	7	187	7,410	22,054
Balance at the End of the Current Period	3,676,658	124,225	21,897	1,858,855	5,681,635
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,243,068)		(14,940)	(1,051,000)	(3,309,008)
Movements in the Period					
Depreciation Charge	(51,420)		(2,316)	(171,235)	(224,971)
Disposals	77,282		2,136	16,587	96,005
Impairment					
Transfers	(1,062)				(1,062)
Foreign Currency Difference	(3,454)		(102)	(4,715)	(8,271)
Balance at the End of the Current Period	(2,221,722)		(15,222)	(1,210,363)	(3,447,307)
Net Book Value at the End of the Prior Period	1,479,637	68,553	4,797	586,797	2,139,784
Net Book Value at the End of the Current Period	1,454,936	124,225	6,675	648,492	2,234,328

⁽¹⁾ As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing TL 807, and there is no entry in the current period. Book value of tangible assets which is obtained in return of receivables during the year is TL 170,471.

⁽²⁾ They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

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Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
Acquisition Cost					
Balance at the Beginning of the Period	3,773,052	8,769	21,611	1,543,262	5,346,694
Movements in the Period					
Acquisitions ⁽¹⁾	176,694	30,220	1,950	190,480	399,344
Disposals	(167,825)	(7,935)	(3,815)	(34,812)	(214,387)
Impairment ⁽²⁾	7,110			10	7,120
Transfers	(55,835)	37,499		(60,177)	(78,513)
Foreign Currency Difference	(10,525)		(9)	(932)	(11,466)
Balance at the End of the Current Period	3,722,671	68,553	19,737	1,637,831	5,448,792
Accumulated Depreciation					
Balance at the Beginning of the Period	(2,235,018)		(16,096)	(928,728)	(3,179,842)
Movements in the Period					
Depreciation Charge	(55,832)		(2,443)	(145,765)	(204,040)
Disposals	47,520		3,567	19,419	70,506
Impairment	775			(20)	755
Transfers	(3,541)		27	3,438	(76)
Foreign Currency Difference	3,062		5	622	3,689
Balance at the End of the Current Period	(2,243,034)		(14,940)	(1,051,034)	(3,309,008)
Net Book Value at the End of the Prior Period	1,538,034	8,769	5,515	614,534	2,166,852
Net Book Value at the End of the Current Period	1,479,637	68,553	4,797	586,797	2,139,784

⁽¹⁾ As at the balance sheet date, the Bank's book value of tangible assets acquired through financial leasing TL 1,382 and there is TL 16 entry in the current period. Book value of tangible assets which is obtained in return of receivables during the year is TL 159,332.

⁽²⁾ They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

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m. Information on Intangible Assets:

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	464,786	325,369
Movements in the Period		
Acquisitions	226,634	140,075
Disposals	(21,788)	(58)
Impairment (-)		
Transfers		
Foreign Currency Difference	4,511	(600)
Balance at the End of the Period	674,143	464,786
Accumulated Amortization		
Balance at the Beginning of the Period	(311,133)	(234,607)
Movements in the Period		
Amortization Charge (-)	(114,985)	(77,146)
Disposals	13,445	58
Impairment		
Transfers		
Foreign Currency Difference	(4,427)	562
Balance at the End of the Current Period	(417,100)	(311,133)
Net Book Value at the End of the Prior Period	153,615	90,762
Net Book Value at the End of the Period	257,043	153,653

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n. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. Explanations on these subjects are given in Section Three Note XIV.

	Current Period	Prior Period
Acquisition Cost		
Balance at the Beginning of the Period	1,367,428	1,270,234
Movements in the Period		
Acquisitions	331,220	174,763
Disposals (-)	(143,995)	(827)
Impairment	18,677	3,275
Transfers	49	(80,017)
Impact of Consolidated Subsidiaries		
Balance at the End of the Period	1,573,379	1,367,428
Accumulated Amortization		
Balance at the Beginning of the Period	(258,724)	(232,940)
Movements in the Period		
Depreciation Charge (-)	(21,788)	(25,860)
Disposals	51,652	
Impairment		
Transfers	(2,337)	76
Balance at the End of the Current Period	(231,197)	(258,724)
Net Book Value at the End of the Prior Period	1,108,704	1,037,294
Net Book Value at the End of the Period	1,342,182	1,108,704

o. Information on deferred tax asset:

As of 31 December 2013, the Parent Bank and the other consolidated Group companies has deferred tax asset amounting to TL 663,543. Such deferred tax asset is calculated based on the temporary differences between the book value of assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period	Prior Period
Tangible Assets Base Differences	28,059	26,876
Provisions ⁽¹⁾	(600,636)	(496,153)
Finance Lease Income Accruals	4,644	3,200
Valuation of Financial Assets	(43,279)	(157,305)
Other ⁽²⁾	(55,331)	(80,591)
Net Deferred Tax (Asset)/Liability:	(666,543)	(703,973)

⁽¹⁾ Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, and other provisions.

⁽²⁾ The investment incentive application has ceased starting from 1 January 2006 and the investment incentives of companies, which have not been used as at 31 December 2005 are enabled to be used by deducting from incomes of years 2006, 2007 and 2008; and it is stated that the amount, if not deducted from the 2008 income, will not be transferred to other periods. On the other hand, the Court of Constitution has cancelled this regulation that removes the gained rights at the meeting on 15 October 2009, finding it against the Constitution, and in this way, the time limitation with respect to the investment incentive was removed as at the date of reporting. The related decision was published on the Official Gazette dated 8 January 2010. Within this context, İş Finansal Kiralama A.Ş., one of the consolidated companies, has TL 230,055 unused investment incentive and TL 11,378 (31 December 2012: TL 42,721) of the "Other" item on the above table consists of the deferred tax amount calculated over the related investment incentive.

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The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	696,703	631,694
Deferred Tax Benefit/(Charge) (Net)	(350,115)	304,553
Deferred Tax Recognized under Equity	316,605	(239,600)
Foreign Currency Difference	751	56
Deferred Tax Asset⁽¹⁾	663,944	696,703

⁽¹⁾ In the current period consolidated financial statements, deferred tax asset amounts to TL 663,543 and the deferred tax liability amounts to TL 2,599; the movement table states the net balance. Explanations on deferred tax liability are given in Section Five Note II i.2.

p. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	73,295	60,256
Additions	4,110	1,089
Transfers (Net)	56,403	79,017
Disposals (-) (Net)	(64,018)	(65,753)
Impairment Losses (-)		
Depreciation	(1,141)	(1,314)
Net Book Value at the End of the Period	68,649	73,295

The Group has no discontinued operations. The assets classified as "Assets Held for Sale" of the Group consist of real estates. Those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site. Announcements about the real estate's subject to sale are also made by means of newspaper advertisements and similar media.

r. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

II. Disclosures and Footnotes On Consolidated Liabilities

a. Information on Deposits:

a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	7,385,973		2,753,147	33,728,760	792,099	248,841	465,557		45,374,377
Foreign Currency Deposits	8,534,866		5,326,545	25,470,905	2,940,947	2,186,657	5,883,975		50,343,895
Residents in Turkey	7,199,276		4,611,555	22,679,610	2,467,924	1,175,192	2,552,573		40,686,130
Residents Abroad	1,335,590		714,990	2,791,295	473,023	1,011,465	3,331,402		9,657,765
Public Sector Deposits	562,517		45,869	110,818	2,317	423,821	321		1,145,663
Commercial Deposits	6,152,047		1,540,398	6,267,119	197,118	15,192	16,352		14,188,226
Other Institutions Deposits	220,843		502,468	2,353,464	134,430	132,666	13,642		3,357,513
Precious Metals Deposits	3,016,479					202,545	16,799		3,235,823
Interbank Deposits	289,201		1,820,366	1,386,004	175,447	53,749	467,534		4,192,301
The Central Bank of Turkey	48,260								48,260
Domestic Banks	8,804		1,230,111	425,923		8,251	14,341		1,687,430
Foreign Banks	212,227		590,255	960,081	175,447	45,498	453,193		2,436,701
Participation Banks	19,910								19,910
Other									
Total	26,161,926		11,988,793	69,317,070	4,242,358	3,263,471	6,864,180		121,837,798

a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,580,363		4,031,259	30,161,742	897,622	328,138	454,004		41,453,128
Foreign Currency Deposits	7,107,652		5,850,945	16,654,919	1,814,221	954,654	4,945,861		37,328,252
Residents in Turkey	6,216,006		5,225,162	15,427,113	1,050,275	332,186	2,128,909		30,379,651
Residents Abroad	891,646		625,783	1,227,806	763,946	622,468	2,816,952		6,948,601
Public Sector Deposits	492,556		34,022	821,728	2,091	127	429		1,350,953
Commercial Deposits	4,967,759		2,398,335	5,186,234	143,335	16,225	72,689		12,784,577
Other Institutions Deposits	211,261		200,728	6,557,278	31,578	1,096	1,390		7,003,331
Precious Metals Deposits	2,751,819		116,440	4,751	1	4,827	969		2,878,807
Interbank Deposits	235,228		842,336	1,505,097	193,790	17,406	417,955		3,211,812
The Central Bank of Turkey	56,997								56,997
Domestic Banks	7,994		627,516	283,963	120,194	2,103	19,314		1,061,084
Foreign Banks	163,105		214,820	1,221,134	73,596	15,303	398,641		2,086,599
Participation Banks	7,132								7,132
Other									
Total	21,346,638		13,474,065	60,891,749	3,082,638	1,322,473	5,893,297		106,010,860

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a.3. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund exceeding the insurance limit:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	24,302,069	17,246,503	20,666,849	23,879,880
Foreign Currency Savings Deposits	9,360,101	6,101,391	21,533,835	16,103,380
Other Deposits in the Form of Savings Deposits	2,216,518	1,518,080	933,581	1,205,813
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,601,869	2,375,931	136,894	103,711
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			41,743	28,337

a.4. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	530,583	346,412
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	9,274	9,769
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code Numbered 5237 and Dated 26 September 2004		
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey		

b. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	163,057	25,449	13,362	47,436
Swap Transactions	526,834	328,443	372,702	283,920
Futures	7	26	124	
Options	5,690	147,383	6,226	34,645
Other	413	43	1,302	723
Total	696,001	501,344	393,716	366,724

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

c. Information on Funds Borrowed:

c.1. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Domestic banks and institutions	1,363,090	707,257	1,003,219	548,672
Foreign banks, institutions and funds	1,748,243	23,405,106	843,131	16,677,765
Total	3,111,333	24,112,363	1,846,350	17,226,437

c.2. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2,796,848	8,615,258	1,790,826	5,976,423
Medium and Long-term	314,485	15,497,105	55,524	11,250,014
Total	3,111,333	24,112,363	1,846,350	17,226,437

c.3. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
May 2013	USD 441,000,000 + EUR 631,000,000	1 year (with 1 year extension option)
July 2013	USD 15,000,000 + EUR 90,000,000	1 year
September 2013	USD 391,000,000 + EUR 651,500,000	1 year (with 1 year extension option)

Securitization deals:

The Parent Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization is given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31 December 2013
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 16,000,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years(1)	USD 9,462,517
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 43,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 29,880,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000
June 2012	TIB Diversified Payment Rights Finance Company	USD 225,000,000	5 years	USD 225,000,000
June 2012	TIB Diversified Payment Rights Finance Company	EUR 125,000,000	12 years	EUR 125,000,000
December 2013	TIB Diversified Payment Rights Finance Company	USD 50,000,000	5 years	USD 50,000,000
December 2013	TIB Diversified Payment Rights Finance Company	EUR 185,000,000	5-12 years	EUR 185,000,000

⁽¹⁾ The maturity date is 6 January 2014.

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d. Information on Debt Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	3,896,072	158,658	3,487,256	
Bonds	1,238,258	4,783,856	1,191,118	1,797,989
Total	5,134,330	4,942,514	4,678,374	1,797,989

Concentration of the liabilities of the Group:

Of the Group's liabilities 50% are comprised of deposits, 9% are comprised of funds provided from repurchase agreements, 11% are comprised of funds borrowed and 5% are comprised of subordinated debt and marketable securities issued. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Group's liabilities.

e. Information on Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

f. Information on Lease Payables (Net):

The group does not have any liabilities resulting from finance lease transactions.

g. Information on Derivative Financial Liabilities Held for Risk Management:

The Group does not have any derivative financial liabilities held for risk management purposes.

h. Information on Provisions:

h.1. Information on general loan loss provisions:

	Current Period ⁽¹⁾	Prior Period
General Loan Loss Provisions	2,100,602	1,705,153
Provision for Group I Loans and Receivables	1,770,516	1,426,251
Additional Provision for Loans and Receivables with Extended Maturities	119,337	78,367
Provision for Group II Loans and Receivables	96,073	70,237
Additional Provision for Loans and Receivables with Extended Maturities	15,203	7,257
Provision for Non-cash Loans	145,323	129,773
Other	88,690	78,892

⁽¹⁾ General provision for current year consider with the scope of temporary 8. Substance of the Procedures and principles related to determination of loans and other receivables by the Banks and allocation of provision for those.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

h.2. Reserves for employee benefits:

According to the related regulation and the collective bargaining agreements, the Parent Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 3,254.44 (full TL amount as of 31 December 2013), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. A provision for severance pay to allocate that employees need to be paid upon retirement is calculated by estimating the present value of probable amount. The Group's obligation arising from severance pay was determined in accordance with the actuarial report regulated according to "IAS 19-Employee Benefits". In this context, as of 31 December 2013 TL 376,229 provision was set aside and reflected to the financial statements. (31 December 2012: TL 377,765).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- Discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 3,254.44 (full TL amount) salary ceiling, which was effective as at 31 December 2013 was taken into account for the calculations.
- The age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	377,765	260,666
Service Cost	33,129	23,821
Interest Cost	27,422	26,076
Benefits paid	(23,406)	(21,482)
Loss/(Gain) due to Settlements/Reductions/Terminations	2,613	3,475
Actuarial loss/(gain)	(41,294)	85,209
Defined benefit obligation at the end of the period	376,229	377,765

In addition to the employee termination benefits, the Parent Bank and consolidated Group companies also allocate provisions for the unused vacation pay liability. As of 31 December 2013, provision for unused vacation pay is amounting to TL 37,267 (31 December 2012: TL 28,926).

h.3. Provisions for exchange losses in the principal amount of foreign currency indexed loans:

Since foreign currency indexed loans are followed based on the rates on the lending date, the Parent Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2013, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 666 and this amount is offset against foreign currency indexed loan balance in the financial statements.

h.4. Specific provisions for non-cash loans, which are not indemnified and not converted into cash:

As of 31 December 2013, TL 91,086 provision (31 December 2012: TL 102,568) is allocated for the non-cash loans of companies whose loans are followed under non-performing loans accounts.

h.5. Information on other provisions:

h.5.1. Provisions for potential risks:

The Parent Bank management provided a general provision for the possible result of the negative circumstances which may arise from any changes in economy or market conditions amounting TL 1,000,000 of which was had been recognized as expense in the prior periods.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

h.5.2. Liabilities arising from retirement benefits:

Liabilities of pension funds founded as per the Social Security Institution:

Within the scope of the explanations given in Section Three Note XVIII, in the actuarial report which was prepared as of 31 December 2013 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act numbered 506, the amount of actuarial and technical deficit stands at TL 1,778,839. The Bank, provide provision in the related period for the foundation which is situated in the financial statements for the current year. As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as of 31 December 2013, the amount of actuarial and technical deficit was determined to be TL 36,316. (31 December 2012: TL 31,095). In this content, the difference between current period and prior period's overall deficit which is TL 2,400 has been reflected in the financial statement as additional provision.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as at 31 December 2013, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank. Actuarial assumptions used in the calculation are given below.

- 9.8% technical interest rate is used.
- After the date of 1 September 2013 taking into account the short term insurance premium is fixed by 2% and the total premium rate is 34.5%
- CSO 1980 woman/man mortality tables are used.

Below table shows the cash values of premium and salary payments of the Parent Bank as of 31 December 2013, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(4,900,737)	(4,323,548)
Net Present Value of Long Term Insurance Line Premiums	2,173,772	1,779,033
Net Present Value of Total Liabilities Other Than Health	(2,726,965)	(2,544,515)
Net Present Value of Health Liabilities	(660,534)	(581,57)
Net Present Value of Health Premiums	1,235,098	1,014,295
Net Present Value of Health Liabilities	574,564	432,724
Pension Fund Assets	376,562	333,581
Amount of Actuarial and Technical Deficit	(1,775,839)	(1,778,210)

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	253,716	210,692
Securities Portfolio	96,722	96,928
Other	26,124	25,961
Total	376,562	333,581

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

h.5.3. Provision of credit cards and promotion of banking services applications: The Bank has recognized provisions amounting to TL 62,797 for the amount which is recognized within the framework of credit card expenses of credit card customers or promotions for banking services. (31.12.2012: TL 53,443)

h.5.4. According to the decision numbered 11-55/1438-M dated 2 November 2011 of the Competition Board, investigation on some enterprises in banking sector, including 12 banks and 2 financial services institutions, including the Bank, allegedly violating the fourth substance of Law numbered 4054 article number 4 by has been finalized. As a result of the investigation, 12 banks including the Bank have been decided to fine with open to judicial review by the Competition Board. In connection with the investigation, administrative fine amounting TL 146,656 is foreseen for the Bank. While the Bank assesses that activities related to the subject to the investigation are compliance with the legislation and with this respective decision, the administrative fine given by the Competition Board is calculated as TL 109,992 after the discount within the framework of the Misdemeanors Law No. 17 of 5326 Article and was paid to Directorate of Tax Administration with the condition of keeping the legal right including the demand refund and sue against the related decision. On the other hand, in December 2013, the Bank has appealed to Ankara Administrative Court requesting stay of execution and annulment of aforesaid decision. The case has not been concluded yet and the Bank has allocated the full amount of TL 109,992 of provision in the financial statements as at 31 December 2013.

h.5.5. As announced by material event disclosure dated 31 December 2012, an inspection, which is related to payments (contribution) made by Bank to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı" which is founded according to Turkish Commercial Law and Civil Law, was conducted by the Bank Tax Audit Committee Inspectors for fulfilling its obligations within the framework of the Foundation Share and the relevant legislation. As a result of this interview, the amount of the related liability is a benefit with the nature of wage for the foundation members who work at the period of payment. Thus the inspection report was prepared with the claim of getting suspended income tax stoppage on payments/stamp duty on behalf of penalty for the years 2007 and 2008. According to this report, the tax penalty notice with the total amount of TL 74 million (exact value), which is the calculation of the suspended income tax/stamp duty, was served to the Bank.

Consideration related to subject, the Parent Bank's implementation comply with the legislation, conclusion that, there is no legal basis has been reached. Across the country the lawsuit was filed against the mentioned assessments in various tax courts and the cases brought to the tax courts of the first instance, a part of decision has been decided in against of the Bank, a part of decision has been decided in favor of the Parent Bank As of reporting date for a major part of lawsuit, the processes have not been concluded. On the other hand, while the appeal and protest related with the decisions of Court which are against to Bank has requested by the Bank, the decisions which are against the administration has requested by the administration and trial is in progress. A portion of these cases concluded against to the Parent Bank and the other portion of these cases in favor of the Bank.

On the other hand, as announced by material event disclosure dated 19 December 2013, in the current year on the same subject held on relating to tax inspection reports 2009, 2010 and 2011 periods suspended for income tax, stamp tax assessments held, and tax penalties of the notification is in progress at this time. According to this report, total tax and penalty TL 134 million (exact amount) notified to the Parent Bank as of the date of 11 February 2014. Regarding tax penalties mentioned having the right to be open to juridical review, the Parent Bank has initiated the agreement process after assessment.

Besides of the Bank, an inspection was conducted by Tax Audit Committee Inspectors regarding to the contribution obligations mentioned above for the period 2007-2011" on Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı Mensupları which is founded according to Turkish Commercial Law and Civil Law, owned by "Türkiye Sınai Kalkınma Bankası A.Ş.", "Milli Reasürans T.A.Ş.", and Anadolu Anonim Türk Sigorta Şirketi. As a result of the issued report that companies a total of TL 33 million (exact amount) tax penalty notices were notified. Assessments made on the subject by the companies application in accordance with the legislation, which was suspended for Tax Administration concluded that the lack of legal basis of assessment and said assessment were filed in court against the various tax. A number of cases concluded in favor of the Bank, another part of lawsuits concluded against the Bank but a significant portion of the case has not been concluded yet. In this process, the Group companies is acting in conjunction with the Parent Bank, 2009, 2010 and 2011 in relation to the period before the tax authorities to be open to judicial review after the assessment has started reconciliation process.

Within the scope of these developments, the Parent Bank allocated the amount of TL 213,702 provision as of 31 December 2013.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

i. Information on Tax Liability:

i.1. Information on current tax liability:

i.1.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XXI of Section 3. The remaining corporate tax liability of the Parent Bank and the consolidated companies after the deduction of the temporary tax amount stands at TL 139,131 as of 31 December 2013.

i.1.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	139,131	394,486
Tax on Securities Income	115,140	100,471
Tax on Real Estate Income	2,798	2,424
Banking Insurance Transaction Tax	94,114	81,768
Foreign Exchange Transaction Tax	55	25
Value Added Tax Payable	5,319	6,417
Other	39,572	33,111
Total	396,129	618,702

i.1.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	1,229	1,093
Social Security Premiums - Employer	1,555	1,186
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,282	1,034
Pension Fund Membership Fees and Provisions-Employer	11	21
Unemployment Insurance - Employees	973	764
Unemployment Insurance - Employer	1,769	1,522
Other	323	261
Total	7,142	5,881

i.2. Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 2,599 deferred tax liability as of 31 December 2013. The related deferred tax liability is calculated over the temporary differences between the book values of assets and liabilities in the records and their tax base values calculated according to tax.

Deferred Tax Liability:	Current Period	Prior Period
Tangible Assets Tax Base Differences	1,833	1,416
Provisions ⁽¹⁾	766	(2,466)
Valuation of Financial Assets		7,483
Other		837
Net Deferred Tax Liability	2,599	7,270

⁽¹⁾ Comprised of employee benefits provisions.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

j. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations.

k. Explanations on subordinated debts:

The Bank, issued 10 year-term bond with a nominal value of USD 1,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad for prior period. The Bank, issued 10 year-term bond with a nominal value of USD 400,000,000,000 which is like subordinated loans for the individual and legal persons who are resident abroad for current period, the bonds stood at 7.85% interest rate.

The total value of the subject bonds is TL 2,984,143 (31 December 2012: TL 1,804,451).

In addition the Bank, TSKB, consolidated subsidiary of the Parent Bank, has used a subordinated debt amounting USD 50 million from International Finance Corporation through direct financing on 5 November 2004. The maturity date of the subordinated debt with interest rate of Libor+3.00% and without any repayment of principal in the first five years is 15 October 2016. The Bond which has TL 106,759 balance sheet value at the end of the period has 3.36% interest rate (31 December 2012: 3,85%, TL 89,125).

l. Information on consolidated shareholders' equity:

l.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
Total	4,500,000	4,500,000

l.2. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	10,000,000

l.3. The capital increase made in current period: None.

l.4. Capital increase through transfer from capital reserves during the current period: None.

l.5. Significant commitments of the Parent Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

l.6. Information regarding the shares of the company acquired; Parent bank and group companies did not acquired their own share.

l.7. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level and this contributes positively to the Group's profitability performance.

l.8. Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kuruş have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation),
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation).

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kuruş, have the same rights with the Group (C) shares having a nominal value of 4 Kuruş each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kuruş are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

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I.9. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	1,323,340		1,556,431	
Valuation Difference	1,323,340		1,556,431	
Foreign Exchange Differences				
Financial Assets Available for Sale	(611,153)	(31,790)	582,156	474,466
Valuation Difference	(760,743)	(32,045)	735,080	475,221
Deferred Tax Effect on Valuation	149,590	255	(152,924)	(755)
Foreign Exchange Differences				
Total	712,187	(31,790)	2,138,587	474,466

m. Explanations on Non-controlling Interest:

	Current Period	Prior Period
Paid-in Capital	2,006,558	1,846,726
Share Premium	5,406	5,406
Marketable Securities Revaluation Reserve	184,493	215,145
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	200,402	170,317
Statutory Reserves	47,289	40,389
Extraordinary Reserves	273,045	279,587
Other Profit Reserves	(864)	517
Prior Years' Profit/Loss	(7,881)	(2,011)
Current Year Profit/Loss ⁽¹⁾	423,823	334,562
Period Ending Balance	3,133,450	2,891,817

⁽¹⁾ Difference between effective and direct shareholding rate was TL 52,885 in the current period (31 December 2012: TL 31,851).

III. Disclosures and Footnotes on Consolidated Off-Balance Sheet Items

a. Explanations to Liabilities Related to Off-balance Sheet Items:

a.1. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 17,679,967 and commitment to pay for cheque leaves amounts to TL 6,024,383. The amount of commitment for the forward purchase of assets is TL 1,957,163 and for the forward sale of assets is TL 2,033,333.

a.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of "Off-Balance Sheet Items".

a.3. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	1,494,946	1,298,250
Letters of Credit	6,903,157	5,220,486
Other Guarantees	756,699	631,010
Total	9,154,802	7,149,746

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a.4. Certain guarantee, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Letters of Tentative Guarantees	868,963	1,114,185
Letters of Certain Guarantees	21,361,449	16,125,063
Letters of Advance Guarantees	5,038,010	3,881,401
Letters of Guarantee Given to Customs Offices	1,952,773	1,053,538
Other Letters of Guarantee	1,394,055	773,274
Total	30,615,250	22,947,461

a.5. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	1,549,938	846,859
With Original Maturity of 1 Year or Less	349,718	175,287
With Original Maturity More Than 1 Year	1,200,220	671,572
Other Non-cash Loans	38,220,114	29,250,348
Total	39,770,052	30,097,207

a. 6. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	131,602	0.82	28,035	0.12	130,276	1.01	29,364	0.17
Farming and Stockbreeding	79,840	0.50	20,255	0.08	80,122	0.62	21,051	0.12
Forestry	47,490	0.29	7,780	0.04	47,384	0.37	6,790	0.04
Fishery	4,272	0.03			2,770	0.02	1,523	0.01
Industry	5,735,510	35.60	12,920,326	54.61	4,471,797	34.64	9,549,668	55.56
Mining and Quarrying	121,053	0.75	95,375	0.40	125,429	0.97	140,957	0.82
Manufacturing	3,240,953	20.12	8,947,469	37.82	2,828,465	21.91	7,381,685	42.94
Electricity, Gas, Water	2,373,504	14.73	3,877,482	16.39	1,517,903	11.76	2,027,026	11.80
Construction	2,412,054	14.97	3,395,141	14.35	2,151,167	16.67	1,996,011	11.61
Services	7,683,723	47.70	4,936,712	20.86	5,993,371	46.43	3,987,520	23.20
Wholesale and Retail Trade	4,647,051	28.85	2,215,050	9.36	3,471,452	26.89	1,924,175	11.19
Hotel and Restaurant Services	148,474	0.92	37,515	0.16	106,912	0.83	29,612	0.17
Transportation and Communication	478,171	2.97	1,487,786	6.29	404,301	3.13	983,744	5.72
Financial Institutions	854,324	5.30	645,942	2.73	1,276,326	9.89	553,097	3.22
Real Estate and Rental Services	1,005,833	6.24	252,373	1.07	255,909	1.98	268,813	1.56
Self-Employed Services	463,070	2.88	190,259	0.80	399,197	3.09	207,425	1.21
Educational Services	23,197	0.14	5,379	0.02	18,859	0.15	7,475	0.04
Health and Social Services	63,603	0.40	102,408	0.43	60,415	0.47	13,179	0.09
Others	147,174	0.91	2,379,775	10.06	161,496	1.25	1,626,537	9.46
Total	16,110,063	100.00	23,659,989	100.00	12,908,107	100.00	17,189,100	100.00

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a.7. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash Loans	16,002,659	23,582,800	107,404	77,189
Letters of Guarantee	15,845,025	14,600,435	107,404	62,386
Bank Acceptances	4,262	1,490,314		370
Letters of Credit		6,888,724		14,433
Endorsements				
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees	59,639	12,808		
Other Guaranties and Warranties	93,733	590,519		

b. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

c. Explanations Related to Contingencies and Commitments:

The balance of the "Other Irrevocable Commitments" account, which comprised the letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Parent Bank and the commitments due to housing loans extended within the scope of unfinished house projects followed, amounts to TL 8,697,889. The cheques given to customers is presented under off balance sheet commitments, as per the related regulations is amounting to TL 6,024,383. In case the cheques presented for payment to beneficiaries are not covered, the Parent Bank will be obliged to pay the uncovered amount up to TL 660 (full amount expressed) for the cheques that are subject to the Law numbered 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", and up to TL 1,120 (full amount) for the cheques that are subject to the "Cheque Law" numbered 5941. The uncollected amount will be followed under "Indemnified Non-Cash Loans".

d. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note XIV under Section Four.

IV. Disclosures and Footnotes on the Consolidated Income Statement

a. Interest Income

a.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans ⁽¹⁾				
Short-term Loans	3,110,497	330,761	3,426,444	356,691
Medium and Long-term Loans	5,110,579	2,155,926	4,484,870	1,686,085
Interest on Non-performing Loans	168,569	3,453	166,915	8,958
Premiums Received from State Resource Utilization Support Fund				
Total	8,389,645	2,490,140	8,078,229	2,051,734

⁽¹⁾ Includes fee and commission income on cash loans.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

a.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	165			
Domestic Banks	106,462	47,696	143,407	45,940
Foreign Banks	3,357	4,581	3,777	6,656
Foreign Head Offices and Branches				
Total	109,984	52,277	147,184	52,596

a.3. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	55,697	181	96,361	2,894
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale ⁽¹⁾	1,913,226	364,710	2,149,744	344,914
Held to Maturity Investments ⁽¹⁾	1,236,997	53	1,541,428	121
Total	3,205,920	364,944	3,787,533	347,929

⁽¹⁾ Total of TL 1,493,611 of interest income from related investments stems from inflation-indexed government bonds (31 December 2012: TL 1,458,756).

a.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Associates and Subsidiaries	2,095	3,960

b. Interest Expense

b.1. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	189,252	206,781	96,988	184,724
Central Bank of Turkey		4	4	
Domestic Banks	75,476	16,907	45,400	21,835
Foreign Banks	113,776	189,870	51,584	162,889
Foreign Head Offices and Branches				
Other Institutions	795	132,053	1	136,025
Total ⁽¹⁾	190,047	338,834	96,989	320,749

⁽¹⁾ Includes fee and commission expenses from cash loans.

b.2. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	20,955	31,308

b.3. Information on interest paid on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Securities Issued	333,933	261,622	385,209	69,409

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b.4. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
TL								
Bank Deposits		26,562	37,968	9,806	728	863		75,927
Savings Deposits		229,716	2,241,926	76,839	31,908	34,536		2,614,925
Public Sector Deposits		2,172	12,503	337	16,559	30		31,601
Commercial Deposits	69	151,742	518,531	56,387	17,696	3,789		748,214
Other Institutions Deposits	5	12,225	290,340	63,844	14,765	587		381,766
Deposits with 7 Days Notice								
Total	74	422,417	3,101,268	207,213	81,656	39,805		3,852,433
FC								
Foreign Currency Deposits	435	96,346	506,523	94,224	30,473	169,709		897,710
Bank Deposits	44	17,244	14,445	2,029	3,122	8,822		45,706
Deposits with 7 Days Notice								
Precious Metals Deposits					1,240	100		1,340
Total	479	113,590	520,968	96,253	34,835	178,631		944,756
Grand Total	553	536,007	3,622,236	303,466	116,491	218,436		4,797,189

c. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	2,541	3,462
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	18,111	4,658
Other	217,405	196,912
Total	238,057	205,032

d. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit	60,814,841	54,041,593
Securities Trading Gains	293,618	1,540,471
Gains on Derivative Financial Instruments	3,341,092	3,121,820
Foreign Exchange Gains	57,180,131	49,379,302
Losses (-)	60,436,250	53,170,523
Securities Trading Losses	111,869	773,294
Losses on Derivative Financial Instruments	3,841,856	3,417,322
Foreign Exchange Losses	56,482,525	48,979,907
Trading Gain/(Loss)	378,591	871,070

As of 31 December 2013, income arising from foreign currency changes related to derivative transactions amounting TL 2,154,721, and the losses amounting TL 2,633,521 and the amount of net profit is TL 478,800(31 December 2013 profit: TL 2,251,767; loss: TL 2,330,662).

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

e. Information on other operating income:

As at reporting period, TL 3,246,575 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 93% of which is from insurance premiums. The profit gain from the sale of the real estate and subsidiary which are conducted by the Parent Bank and its consolidated subsidiaries during in the current period and the amount of TL 111,844 of other operating income consists of the amount with respect provision dissolved related to sales of Bayek İşletmeciliği A.Ş. ve Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş. in the current period and the remaining of the other operating income are collections or reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The remaining part of the other operating income is composed of fees received from customers on various banking services and incomes from sale of fixed assets.

In prior period, operating income of insurance and reinsurance companies in this item is TL 3,193,334; 95% of which is from insurance premiums.

f. Information on provision for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	930,449	626,910
Group III Loans and Receivables	84,708	77,866
Group IV Loans and Receivables	236,394	215,030
Group V Loans and Receivables	609,347	334,014
General Loan Provision Expenses ⁽¹⁾	433,531	394,723
Provision Expenses for Potential Risks		50,000
Impairment Losses on Marketable Securities	34,665	1,092
Financial Assets at Fair Value through Profit and Loss	32,809	12
Financial Assets Available for Sale	1,856	1,080
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	10,458	26,960
Associates		
Subsidiaries	10,458	26,960
Jointly Controlled Entities		
Investments Held to Maturity		
Other	245,598	191,860
Total	1,654,701	1,291,545

⁽¹⁾ General provisions for current period were allocated with the scope temporary 8 substance of the Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions.

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g. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses ⁽¹⁾	2,713,365	2,490,168
Reserve for Employee Termination Benefits	40,545	117,127
Bank Pension Fund Deficit Provisions	5,221	445,976
Impairment Losses on Tangible Assets	3,325	288
Depreciation Expenses of Tangible Assets	239,852	222,005
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	101,541	77,146
Impairment Losses on Investments Accounted Under Equity Method		
Impairment Losses on Assets to be Disposed	1,250	1,803
Depreciation Expenses of Assets to be Disposed	8,048	9,209
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,652,335	1,407,119
Operational Lease Related Expenses	217,937	166,896
Repair and Maintenance Expenses	34,751	31,955
Advertisement Expenses ⁽²⁾	197,132	178,635
Other Expenses ⁽²⁾	1,202,515	1,029,633
Loss on Sale of Assets	105,236	4,554
Other ⁽³⁾	3,437,521	3,007,978
Total	8,308,239	7,783,373

⁽¹⁾ Current period includes employee provisions for the dividend to be distributed etc and prior period includes the provision for possible wage increase taking into account of renewing collective bargaining agreements which was not completed.

⁽²⁾ Expense amount of the Bank's donation, contributions and social responsibility projects is TL 24,327 in the current period.

⁽³⁾ In the current period, it also includes the amount of TL 319,181 provision explained in the second and third paragraph of Note II-h-5.1 explanation under section five.

On the table above, TL 2,434,533 of other operating expense includes insurance and reinsurance companies' expenses which are related with their operations. The paid claims comprise almost the total of this amount in the current period, too.

In prior period, TL 2,481,949 of other operating expense included insurance and reinsurance companies' expenses which were related with their operations and the paid claims comprised almost the total of this amount.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

h. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations:

The Group's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 7,681,894, net fee and commission income of TL 1,468,946 and the other operation expenses amount to TL 8,328,239.

i. Information on Provision for taxes including taxes from continuing and discontinued operations:

As of 31 December 2013 the amount of the Group's tax provision is TL 823,022 and the amount consists of current tax expense that is amounting to TL 472,907 and consists of deferred tax income amounting TL 350,115.

j. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:

The Group's net profit generated from its continuing operations amounts to TL 3,606,859.

k. Information on net period profit/loss:

k.1. **Income and expense resulting from ordinary banking activities:** There is no specific issue required to be disclosed for the Group's performance for the period between 1 January 2013 - 31 December 2013.

k.2. **Effects of changes in accounting estimates on the current and future periods' profit/loss:** There is no issue to be disclosed.

k.3. "The Other" item which is located at the bottom "received fees and commissions" in the income statement consist of various fees and commissions received from transactions such as credit card transactions, capital market transactions and insurance-reinsurance transactions.

k.4. Other items do not exceed 10% of the total amount of the income statement.

l. Net profit/loss of non-controlling Interest:

	Current Period	Prior Period
Net Profit/Loss of Non-controlling Interest	370,938	302,712

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

V. Disclosures and Footnotes on Consolidated Statement of Changes in Shareholders' Equity

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 2,286,486 and the balance of extraordinary reserves is TL 10,812,744.

In the current period, the change in other reserves item is a result of the conversion profits of foreign branches and financial institutions.

The details of revaluation surplus account of securities are shared in the Note Section V-II-I-9. TL 149,845 of this amount is the deferred tax effect on available for sale securities. (31 December 2012: (TL 153, 679))

VI. Disclosures and Footnotes on the Consolidated Statement of Cash-Flows

The operating profit of TL 5,943,982 before the changes in operating assets and liabilities consists of interests received at TL 15,627,984 predominantly from loans and securities, and TL 7,129,809 of interest paid predominantly on deposits, money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 3,942,287, consists of premium collections of insurance companies. The account "Other" classified under operating profit other than fees and commissions paid, cash payments to personnel and service suppliers and taxes paid consists of other operating expenses and foreign exchange gains/losses accounts is TL 4,853,581 (31 December 2012: TL 171,306).

Net Increase (Decrease) in Other Liabilities account classified in changes of assets and liabilities resulting from the changes in Funds Provided Under Repurchase Agreements, miscellaneous payables, other liabilities and taxes, duties, charges, and premiums is TL 9,341,149 (31 December 2012: TL 1,254,556).

The effect of changes in foreign exchange rates on cash and cash equivalents is TL 478,339 as of 31 December 2013 (31 December 2012: (TL 194,415)).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

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Cash and cash equivalents at beginning of period:

	31.12.2012	31.12.2011
Cash	4,775,236	6,957,355
Cash in TL and Foreign Currency	1,680,661	1,149,355
Central Bank of Turkey and Other	3,094,575	5,808,000
Cash Equivalents	3,808,003	4,530,573
Receivables from Money Market Operations	81,658	171,596
Banks' Demand Deposits and Time Deposits Up to 3 Months	3,726,345	4,358,977
Total Cash and Cash Equivalents	8,583,239	11,487,928

The total amount resulting from the transactions made in the previous period shows the total cash and cash equivalents as of the beginning of the current period.

Cash and Cash equivalents as of end of the period:

	31.12.2013	31.12.2012
Cash	8,336,582	4,775,236
Cash in TL and Foreign Currency	2,189,602	1,680,661
Central Bank of Turkey and Other	6,146,980	3,094,575
Cash Equivalents	4,706,027	3,808,003
Receivables from Money Market Operations	140,262	81,658
Banks' Demand Deposits and Time Deposits Up to 3 Months	4,565,765	3,726,345
Total Cash and Cash Equivalents	13,042,609	8,583,239

TÜRKİYE İŞ BANKASI A.Ş.
**Notes to the Consolidated Financial Statements
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VII. Disclosures and Footnotes on the Group's Risk Group

a. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

a.1. Information on loans held by the Group's risk group:

Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	67,477	1,308,746	1		499,699	218,714
Balance at the end of the period	15,375	1,426,296			553,135	246,217
Interest and commission income received	1,557	284			39,283	1,251

Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	62,291	2,309,017	2	19	639,896	149,171
Balance at the end of the period	67,477	1,308,746	1		499,699	218,714
Interest and commission income received	3,960	132			34,144	1,463

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a.2. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	798,050	399,014	385,728	549,679	1,107,605	1,184,469
Balance at the end of the period	391,051	798,050	352,420	385,728	1,625,580	1,107,605
Interest expense on deposits	18,958	18,421	45,462	46,369	38,176	42,088

a.3. Information on forward and option and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period					817	188,145
End of the period						817
Total Profit/Loss	10,850				344	(2,231)
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

b. Disclosures for the Group's risk group:

b.1. The relations of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b.2. The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 0.39%, while the ratio to the overall assets is 0.24% the ratio of deposits of the risk group corporations to the overall deposits is 1.94%, while the ratio to overall liabilities is 0.98%. The same pricing policy with third parties is used for the financial services provided to companies in the Parent Bank's risk group.

b.3. Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

Acquisition of properties is generally made through İş Finansal Kiralama A.Ş., one of the Group companies. The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Parent Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 29 mutual funds, which were founded by the Parent Bank, 28 of them are managed by İş Portföy Yönetimi A.Ş. and 1 of them are managed by İş Yatırım Menkul Değerler A.Ş. 22 of the mutual funds, which were founded by Anadolu Hayat Emeklilik A.Ş., are managed by İş Portföy Yönetimi A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

c. Total salaries and similar benefits paid to the key management personnel

In the current period, the net payment provided to the key management of Group amounts TL 56,889 (31 December 2012: TL 51,337).

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

VIII. Disclosures on the Group's Domestic, Foreign, Off-Shore Branches or Participations and Representative Offices

The Parent Bank - Türkiye İş Bankası A.Ş.

	Number	Employees			Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	1,289	23,868				
Foreign Representative Offices	1	2	Country of Incorporation			
	1	1		China		
Foreign Branches				Egypt		
	1	34		England	8,759,834	349
	15	174		TRNC	1,179,536	80,000
	1	20		Iraq	316,975	15,044
	1	12		Georgia	38,570	15,831
Off-Shore Branches	1	8		Kosovo	36,049	23,525
	1	10		Bahrain	8,989,901	

⁽¹⁾The Branches located in Free Trade Zones in Turkey are included among domestic branches.

İşbank AG

	Number	Employees			Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	13	190				
Foreign Representative Offices			Country of Incorporation			
Foreign Branches	1	11		The Netherlands	1,205,185	
	1	9		France	67,782	
	1	11		Switzerland	38,131	
	1	8		Bulgaria	21,434	
Off-Shore Branches						

⁽¹⁾Germany is meant by the term "domestic".

Milli Reasürans T.A.Ş.

	Number	Employees			Total Assets	Legal Capital
Domestic Branches	1	203				
Foreign Representative Offices			Country of Incorporation			
Foreign Branches						
Off-Shore Branches	1	11		Singapore	98,483	49,089

CJSC İşbank

	Number	Employees			Total Assets	Legal Capital
Domestic Branches ⁽¹⁾	4	290				
Foreign Representative Offices			Country of Incorporation			
Foreign Branches						
Off-Shore Branches						

⁽¹⁾ The branches of the company, which is headquartered in Moscow, in Russia are shown as domestic branches.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	937
Anadolu Hayat Emeklilik A.Ş.	738
Camiş Menkul Değerler A.Ş.	40
Efes Varlık Yönetimi A.Ş.	59
İş Investments Gulf Ltd. ⁽¹⁾	2
İş Faktoring A.Ş.	56
İş Finansal Kiralama A.Ş.	123
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	67
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	18
İş Portföy Yönetimi A.Ş.	54
İş Yatırım Menkul Değerler A.Ş.	402
İş Yatırım Ortaklığı A.Ş.	4
Maxis Investments Ltd. ⁽²⁾	24
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	11
TSKB Yatırım Ortaklığı A.Ş.	316
Yatırım Finansman Menkul Değerler A.Ş.	155

⁽¹⁾ The company, which is headquartered in Dubai, does not have any branch or representative office beside its head office.

⁽²⁾ The company, which is headquartered in London, does not have any branch or representative office beside its head office.

IX. Subsequent Events

1. Within the framework of the resolution made by the Parent Bank's Board of Directors on 30 September 2013 regarding the domestic issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 200,000 with a maturity of 127 days, the Bank have issued discount bonds with a nominal value of TL 600,000 with a maturity of 232 days and the Bank has issued floating rate bonds with quarterly coupon payments with a nominal value of TL 200,000 with a maturity of 370 days on January 2014. The redemption date of the related bills are 11 June 2014 and 24 September 2014, discount bonds are 9 February 2015 respectively and the interest rates are 10.49%, 11.13% and 11.47% respectively (annual simple interest).

2. On 31.01.2014, Türkiye Sınai Kalkınma Bankası, sold all of its 5% İstanbul Takas ve Saklama Bankası A.Ş.'s shares with a nominal amount of 21,000 TL to İstanbul Stock Exchange A.Ş. for an amount of 33,390 TL and collected the amount within the day of the sale.

3. Since İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., sold all of its venture capital investments, its portfolio was unable to be in compliance with Communiqué on Principles Regarding Venture Capital Investment Trusts. Its application on time extension until 31 December 2015 for compliance has been approved by Capital Markets Board on 27.01.2014.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

SECTION SIX: OTHER EXPLANATIONS

I. Explanation on the Group's Credit Ratings:

Türkiye İş Bankası A.Ş.

	Rating	Outlook ⁽¹⁾	Explanation
MOODY'S			
Bank Financial Strength	D+	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-term Foreign Currency Deposit	Baa3	Stable	It is the highest rating in this category determined ceiling of Turkey.
Long-term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-term Foreign Currency Deposit	P-3	-	Same as the rating for Turkey.
Short-term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
FITCH RATINGS			
Long-term Foreign Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is good.
Long-term Local Currency Issuer Default Rating	BBB	Stable	At investment level. Shows that the Bank's credibility is good.
Short-term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	Bbb	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
STANDARD & POOR'S			
Long-term Counterparty Credit Rating	BB+	Negative	Same as the FC country rating given for Turkey.
Short-term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Long-term National Scale Rating	trAA+	-	Indicates that its capacity to meet its financial commitments on the obligation are strong.
Short-term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

The dates below given are on which the Parent Bank's credit ratings/outlook was last updated:

Moody's: 20 May 2013, Fitch Ratings: 31 October 2013, Standard & Poor's: 11 December 2014.

⁽¹⁾ Outlook:

"Stable" indicates that the current rating will not be changed in the short term; "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2013

Türkiye Sınai Kalkınma Bankası A.Ş.

	Rating	Outlook
MOODY'S		
Bank Financial Strength	D+	-
Long-term Foreign Currency Issuer Rating	Baa3	Stable
Short-term Foreign Currency Issuer Rating	P-3	-
Long-term Local Currency Issuer Rating	Baa3	Stable
Short-term Local Currency Issuer Rating	P-3	-
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-term Local Currency Issuer Default Rating	BBB-	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Rating	AAA	Stable
Support Rating	2	-
Support Rating Base	BBB-	Stable

The dates below given are on which the TSKB's credit ratings were last updated:

Moody's: 3 July 2012, Fitch Ratings: 31 October 2013.

İş Finansal Kiralama A.Ş.

	Rating	Outlook
FITCH RATINGS		
Long-term Foreign Currency Issuer Default Rating	BBB	Stable
Long-term Local Currency Issuer Default Rating	BBB	Stable
Short-term Foreign Currency Issuer Default Rating	F3	-
Short-term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Support Rating	2	-

The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:

Fitch Ratings: 31 October 2013

II. Explanations on Special Purpose Audit and Public Audit

According to the Turkish Commercial Code 207, 438 and 439, the Bank has not been done special audit in the current period. The Bank is subject to public scrutiny, including public institutions such as; BRSA, CBRT, the Capital Markets Board, the Competition Authority. In relation to these inspections of public institutions, if there is a point where disclosure to be necessary, the Bank shares the issues with the public through disclosures.

SECTION SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report:

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2013 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the consolidated financial statements described in the fourth paragraph of the audit report dated 12 February 2014, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2013 and the result of its operations and cash flows for the year then ended.

II. Explanations and Footnotes of the Independent Auditors

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.

Financial Highlights and Key Ratios for the Five-Year Period

UNCONSOLIDATED					
	2009/12	2010/12	2011/12	2012/12	2013/12
ASSETS (TL thousand)					
Cash and Equivalents	884,514	1,253,650	1,231,464	1,756,595	2,219,817
Banks and Receivables from Interbank Money Markets ⁽¹⁾	16,308,023	10,454,093	14,802,918	15,634,097	22,335,328
Securities (Net)	39,289,717	45,436,557	42,778,027	38,054,734	36,866,263
Loans ⁽²⁾	48,334,786	64,231,678	91,620,638	106,715,770	134,843,374
Associates and Subsidiaries (Net)	5,031,079	6,264,039	6,275,017	7,699,954	7,760,771
Fixed Assets (Net)	1,922,019	1,918,459	1,983,314	1,998,785	2,090,204
Other Assets	1,453,166	2,238,018	2,977,126	3,584,515	4,384,280
Total Assets	113,223,304	131,796,494	161,668,504	175,444,450	210,500,037
LIABILITIES (TL thousand)					
Deposits	72,177,063	88,260,157	98,313,134	105,383,434	120,974,765
Funds Borrowed and Interbank Money Market Placements ⁽³⁾	20,727,737	18,201,332	34,390,699	30,630,769	46,933,598
Provisions	3,493,802	3,631,589	4,204,926	5,380,105	5,862,456
Other Liabilities	3,341,174	4,689,612	6,838,381	11,331,097	13,170,101
Shareholders' Equity	13,493,528	17,013,804	17,921,364	22,719,045	23,563,117
Total Liabilities	113,233,304	131,796,494	161,668,504	175,444,450	210,504,037
INCOME STATEMENT ⁽⁴⁾ (TL thousand)					
Interest Income	10,200,437	9,797,839	10,898,384	13,390,415	13,460,682
Interest Expenses	5,332,949	5,215,964	6,336,584	7,462,498	6,805,252
Net Interest Income	4,867,488	4,581,875	4,561,800	5,927,917	6,655,430
Net Trading Income	408,373	134,630	306,073	590,390	223,266
Net Fees and Commissions Income	1,252,604	1,236,425	1,428,583	1,706,227	1,919,086
Dividend Income	325,037	369,210	555,702	417,703	450,312
Other Operating Income	1,073,275	1,569,284	1,311,114	1,172,144	1,038,142
Total Operating Income	7,926,777	7,891,424	8,163,272	9,814,381	10,286,236
Operating Expenses	2,694,687	3,203,123	3,481,199	4,484,306	4,962,519
NET OPERATING PROFIT/LOSS	5,232,090	4,688,301	4,682,073	5,330,075	5,323,717
Provision for Losses on Loans and Other Receivables	2,286,474	1,135,449	1,383,793	1,209,122	1,467,018
PROFIT/(LOSS) BEFORE TAXES	2,945,616	3,552,852	3,298,280	4,120,953	3,856,699
Provision for Taxes	573,209	570,642	630,793	810,646	693,334
NET PERIOD PROFIT / (LOSS)	2,372,407	2,982,210	2,667,487	3,310,307	3,163,365
KEY RATIOS (%)					
Interest Earning Assets ⁽⁵⁾ / Total Assets	91.7	91.1	92.2	91.4	92.1
Interest Earning Assets ⁽⁵⁾ / Interest Bearing Liabilities	111.8	112.8	112.4	116.4	113.5
Securities / Total Assets	34.7	34.5	26.5	21.7	17.5
Loans / Total Assets	42.7	48.7	56.7	60.8	64.1
Loans / Deposits	67.0	72.8	93.2	101.3	111.5
Retail Loans / Total Loans	31.2	30.6	27.8	28.6	28.5
NPL Ratio	5.4	3.6	2.1	1.9	1.6
Coverage Ratio	100.0	100.0	100.0	78.9	80.4
Demand Deposits / Total Deposits	15.6	16.4	18.9	19.9	21.2
Shareholders' Equity / Total Liabilities	11.9	12.9	11.1	12.9	11.2
Capital Adequacy Standard Ratio	18.3	17.5	14.1	16.3	14.4
Return on Average Assets ⁽⁶⁾	2.3	2.4	1.8	2.0	1.6
Return on Average Equity ⁽⁶⁾	21.0	19.9	15.2	16.5	13.7
Cost / Income	34.0	40.6	42.6	45.7	48.2
OTHER INFORMATION (TL thousand)					
Regulatory Capital	13,963,036	16,995,505	18,631,132	24,739,690	27,689,806
Core Capital	12,932,571	15,178,349	17,182,647	19,765,885	22,264,891
Free Capital ⁽⁷⁾	8,972,745	11,711,967	12,117,791	16,099,351	17,070,498
Demand Deposits	11,258,761	14,468,760	18,626,781	20,946,735	25,623,095

⁽¹⁾ Includes Deposits at the Central Bank and Reserve Requirements

⁽²⁾ Excludes Receivables under Follow-up

⁽³⁾ Includes TRY, FC bond issuances and subordinated debts

⁽⁴⁾ Fees and Commissions Received from Cash Loans are shown under Interest Income; Fees and Commissions Paid to Cash Loans are shown under Interest Expense.

⁽⁵⁾ Interest Earning Assets include TRY and FC reserves at Central Bank, which are currently paid 0% interest.

⁽⁶⁾ Averages are calculated over quarter figures.

⁽⁷⁾ Free Equity = Shareholders' Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables Under Follow-Up - Specific Provisions)

Financial Highlights and Key Ratios for the Five-Year Period

CONSOLIDATED					
	2009/12	2010/12	2011/12	2012/12	2013/12
ASSETS (TL thousand)					
Cash and Equivalents	893,430	1,262,764	1,260,374	1,779,460	2,257,090
Banks and Receivables from Interbank Money Markets ⁽¹⁾	18,348,043	13,719,134	17,545,722	18,965,235	26,479,037
Securities (Net)	45,078,276	51,814,331	48,720,930	44,782,722	43,651,041
Loans ⁽²⁾	52,760,440	69,409,124	99,432,775	115,733,719	146,136,030
Associates and Subsidiaries (Net)	2,996,044	3,541,421	3,979,038	4,398,434	4,174,551
Receivables from Finance Lease (Net)	931,016	963,265	1,376,390	1,384,455	2,034,122
Fixed Assets (Net)	2,925,103	3,352,137	3,384,754	3,511,410	3,938,176
Other Assets	4,984,124	6,748,560	8,235,847	10,519,304	12,949,093
Total Assets	128,916,476	150,810,736	183,935,830	201,074,739	241,619,140
LIABILITIES (TL thousand)					
Deposits	72,054,972	88,476,619	98,831,996	106,010,860	121,837,798
Funds Borrowed and Interbank Money Market Placements ⁽³⁾	28,346,924	27,526,352	45,121,027	44,483,302	65,397,271
Provisions	7,112,309	7,560,506	8,713,868	10,260,057	10,918,968
Other Liabilities	6,096,346	8,260,604	10,958,370	15,461,765	17,570,477
Shareholders' Equity	15,305,925	18,986,655	20,310,569	24,858,755	25,894,626
Total Liabilities	128,916,476	150,810,736	183,935,830	201,074,739	241,619,140
INCOME STATEMENT ⁽⁴⁾ (TL thousand)					
Interest Income	11,370,516	10,850,750	12,081,352	14,676,856	14,853,908
Interest Expenses	5,630,372	5,440,180	6,664,356	7,834,591	7,172,014
Net Interest Income	5,740,144	5,410,570	5,416,996	6,842,265	7,681,894
Net Trading Income	557,041	292,912	446,913	871,070	378,591
Net Fees and Commissions Income	976,898	997,891	1,102,726	1,258,319	1,468,946
Dividend Income	166,338	45,785	171,477	205,032	238,057
Other Operating Income	3,503,912	4,031,367	4,070,527	4,571,878	4,625,333
Total Operating Income	10,944,333	10,778,525	11,208,639	13,748,564	14,392,821
Operating Expenses	5,213,259	5,671,987	6,615,795	7,783,373	8,308,239
NET OPERATING PROFIT/LOSS	5,731,074	5,106,538	4,592,844	5,965,191	6,084,582
Provision for Losses on Loans and Other Receivables	2,363,565	1,185,911	1,494,935	1,291,545	1,654,701
PROFIT/(LOSS) BEFORE TAXES	3,367,509	3,920,627	3,097,909	4,673,646	4,429,881
Provision for Taxes	615,205	688,933	708,541	958,912	823,022
NET PERIOD PROFIT / (LOSS)	2,752,304	3,231,694	2,389,368	3,714,734	3,606,859
KEY RATIOS (%)					
Interest Earning Assets ⁽⁵⁾ / Total Assets	90.6	89.7	90.5	89.7	90.1
Interest Earning Assets ⁽⁵⁾ / Interest Bearing Liabilities	116.4	116.7	115.7	119.8	116.3
Securities / Total Assets	35.0	34.4	26.5	22.3	18.1
Loans / Total Assets	40.9	46.0	54.1	57.6	60.5
Loans / Deposits	73.2	78.1	100.2	108.2	119.2
Retail Loans / Total Loans	28.8	28.7	25.9	26.8	26.7
NPL Ratio	5.1	3.4	2.1	1.8	1.7
Coverage Ratio	100.0	100.0	100.0	76.8	77.9
Demand Deposits / Total Deposits	15.9	16.6	19.3	20.1	21.5
Shareholders' Equity / Total Liabilities	11.9	12.6	11.0	12.4	10.7
Capital Adequacy Standard Ratio	18.1	17.6	14.1	16.3	14.3
Return on Average Assets ⁽⁶⁾	2.3	2.3	1.4	1.9	1.6
Return on Average Equity ⁽⁶⁾	20.3	19.3	12.1	16.7	14.3
Cost / Income ⁽⁷⁾	35.3	42.0	48.4	47.1	49.1
OTHER INFORMATION (TL thousand)					
Regulatory Capital	15,632,586	19,350,844	21,187,094	27,325,571	30,567,360
Core Capital	15,127,364	17,982,133	19,841,319	22,715,413	25,607,957
Free Capital ⁽⁸⁾	9,750,739	12,160,810	13,021,182	16,535,929	17,332,191
Demand Deposits	11,432,282	14,688,893	19,054,431	21,346,638	26,161,926

⁽¹⁾ Includes Deposits at the Central Bank and Reserve Requirements

⁽²⁾ Excludes Receivables under Follow-up

⁽³⁾ Includes TRY, FC bond issuances and subordinated debts

⁽⁴⁾ Fees and Commissions Received from Cash Loans are shown under Interest Income; Fees and Commissions Paid to Cash Loans are shown under Interest Expense.

⁽⁵⁾ Interest Earning Assets include TRY and FC reserves at Central Bank, which are currently paid 0% interest.

⁽⁶⁾ Averages are calculated over quarter figures.

⁽⁷⁾ Operating Income/ Expenses are adjusted for the Insurance Technical Income/Expense

⁽⁸⁾ Free Equity = Shareholders' Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables Under Follow-Up - Specific Provisions)

Direct and Indirect Subsidiaries (*)

DIRECT SUBSIDIARIES	December 2013	
	Direct Share (%)	Bank's Risk Group Share Percentage (%)
Name		
Anadolu Hayat Emeklilik A.Ş.	62.00%	83.00%
Antıda Gıda Tarım Turizm Enerji ve Demir Çel. San. Tic. A.Ş.	99.89%	99.99%
Arap Türk Bankası A.Ş.	20.58%	20.58%
Avea İletişim Hizmetleri A.Ş.	7.44%	10.00%
Bankalararası Kart Merkezi A.Ş.	9.98%	9.98%
Camiş Yatırım Holding A.Ş.	99.97%	100.00%
CJSC İşbank	100.00%	100.00%
İş Finansal Kiralama A.Ş.	27.79%	57.39%
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	42.23%	58.04%
İş Merkezleri Yönetim ve İşletim A.Ş.	86.33%	100.00%
İş Net Elektronik Bilgi Üretim Dağ. Tic. A.Ş.	94.65%	100.00%
İş Yatırım Menkul Değerler A.Ş.	65.65%	70.69%
İşBank AG (EUR)	100.00%	100.00%
Kredi Kayıt Bürosu A.Ş.	9.09%	9.09%
Kültür Yayınları İş-Türk Ltd. Şti.	99.17%	100.00%
Milli Reasürans T.A.Ş.	76.64%	76.74%
Nemtaş Nemrut Liman İşletmeleri A.Ş.	99.81%	100.00%
Trakya Yatırım Holding A.Ş.	65.34%	100.00%
Türkiye Sınai Kalkınma Bankası A.Ş.	40.52%	50.00%
Türkiye Şişe ve Cam Fabrikaları A.Ş.	65.47%	73.69%
INDIRECT SUBSIDIARIES		
Name	Direct Share (%)	Bank's Risk Group Share Percentage (%)
Anadolu Anonim Türk Sigorta Şirketi	0,00%	61.76%
Anadolu Cam Eskişehir Sanayi A.Ş.	0,00%	100.00%
Anadolu Cam Investment BV	0,00%	75.92%
Anadolu Cam Sanayi A.Ş.	0,00%	79.12%
Anadolu Cam Yenişehir Sanayi A.Ş.	0,00%	100.00%
Asmaş Ağır Sanayi Makinaları A.Ş.	0,00%	99.98%
Automotive Glass Alliance Rus ZAO	0,00%	100.00%
Automotive Glass Alliance Rus Trading OOO	0,00%	100.00%
Balsand BV	0,00%	51.00%
Batı Karadeniz Elektrik Dağıtım ve Ticaret A.Ş.	0,00%	65.00%
Bayek Tedavi Sağlık Hizmetleri ve İşlet. A.Ş.	0,00%	98.29%
Cam Elyaf Sanayii A.Ş.	0,00%	99.72%
Camiş Ambalaj Sanayii A.Ş.	0,00%	100.00%
Camiş Egypt Mining Ltd. Co.	0,00%	99.70%
Camiş Elektrik Üretim A.Ş.	0,00%	100.00%
Camiş Limited (Euro)	0,00%	100.00%
Camiş Madencilik A.Ş.	0,00%	100.00%
Camiş Menkul Değerler A.Ş.	0,00%	100.00%
Casaba Yönetim İşl. İmal. İth. İhr. Paz. Sağ. Tem. Güv. Ulş. Tic. San. A.Ş.	0,00%	50.00%
CJSC Brewery Pivdenna (Odessa)	0,00%	100.00%
Convera Systems FZ Limited Liability Company	0,00%	100.00%
Covision Medical Technologies Limited	0,00%	100.00%
Cromital SPA	0,00%	100.00%
Çayırova Cam Sanayii A.Ş.	0,00%	100.00%
Denizli Cam Sanayi ve Ticaret A.Ş.	0,00%	51.00%
Dost Gaz Depolama A.Ş.	0,00%	100.00%

Direct and Indirect Subsidiaries

INDIRECT SUBSIDIARIES	December 2013	
	Direct Share (%)	Bank's Risk Group Share Percentage (%)
Efes Varlık Yönetim A.Ş.	0,00%	100.00%
Erişim Müşteri Hizmetleri A.Ş.	0,00%	100.00%
Fritz Beteiligungsgesellschaft GmbH	0,00%	100.00%
Fritz Holding GmbH	0,00%	100.00%
Glass Corp SA	0,00%	90.00%
HNG Float Glass Limited	0,00%	50.00%
İş B Tipi Yatırım Ortaklığı A.Ş.	0,00%	36.60%
İş Faktoring A.Ş.	0,00%	100.00%
İş Girişim Sermayesi Yatırım Ortaklığı	0,00%	57.67%
Is Investment Gulf Ltd.	0,00%	100.00%
İş Portföy Yönetimi A.Ş.	0,00%	100.00%
İş-Koray Turizm Ormancılık Madencilik İnş. Taah. ve Tic. A.Ş.	0,00%	50.00%
JSC Mina	0,00%	99.86%
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	0,00%	50.00%
Madencilik Sanayii ve Ticaret A.Ş.	0,00%	100.00%
Maxis Securities	0,00%	100.00%
Mepa Merkezi Pazarlama A.Ş.	0,00%	99.95%
Merefa Glass Company	0,00%	100.00%
Miltaş. Turizm İnşaat Ticaret A.Ş.	0,00%	88.00%
Mipaş Mümessillik İthalat İhracat ve Paz. A.Ş.	0,00%	100.00%
Nest in Globe (NIG) B.V	0,00%	50.00%
Nevotek Bilişim Ses ve İletişim Sistemleri San. Ve Tic. A.Ş.	0,00%	81.24%
Nevotek Incorporation	0,00%	100.00%
Nevotek Middle East FZ Limited Liability Company	0,00%	100.00%
Num Num Yiyecek ve İçecek A.Ş.	0,00%	61.66%
OA Form Mat	0,00%	48.46%
OA Ruscam-Pokrovsky	0,00%	100.00%
Omco-İstanbul Kalıp San ve Tic A.Ş.	0,00%	50.00%
OOO Balkum	0,00%	50.00%
OOO Posuda	0,00%	100.00%
OOO Ruscam	0,00%	99.72%
OOO Ruscam Glass Packaging Holding	0,00%	100.00%
OOO Ruscam Kuban	0,00%	100.00%
OOO Ruscam Management Company	0,00%	100.00%
OOO Ruscam Sibir	0,00%	100.00%
Ortopro Tıbbi Aletler San	0,00%	32.50%
Oxyvit Kimya Sanayii ve Ticaret A.Ş.	0,00%	50.00%
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	0,00%	99.45%
Paşabahçe Glas GmbH	0,00%	100.00%
Paşabahçe Investment BV	0,00%	100.00%
Paşabahçe Mağazaları A.Ş.	0,00%	100.00%
Paşabahçe Mağazaları BV	0,00%	100.00%
Paşabahçe Spain SL	0,00%	100.00%
Paşabahçe USA Inc.	0,00%	100.00%
Paşabahçe Yatırım ve Pazarlama A.Ş.	0,00%	100.00%
Richard Fritz GmbH+Co. KG	0,00%	100.00%
Richard Fritz Inc	0,00%	100.00%
Richard Fritz Kft	0,00%	100.00%
Richard Fritz Prototype Spare Parts GmbH	0,00%	100.00%

Direct and Indirect Subsidiaries

INDIRECT SUBSIDIARIES	December 2013	
	Direct Share (%)	Bank's Risk Group Share Percentage (%)
Richard Fritz Spol S.R.O.	0,00%	100.00%
Rudnik Krecnjaka Vijenac DOO	0,00%	50.00%
Saint Gobain Glass Egypt SAE	0,00%	30.82%
Soda Sanayii A.Ş.	0,00%	89.70%
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic. A.Ş.	0,00%	100.00%
Solvay Sodi AD	0,00%	25.00%
Solvay Şişecam Holding AG	0,00%	25.00%
Sürdürülebilir Danışmanlık A.Ş.	0,00%	97.00%
Şişecam (Shanghai) Trade Co. Ltd.	0,00%	100.00%
Şişecam Bulgaria Ltd.	0,00%	100.00%
Şişecam Chem Investment Bv	0,00%	100.00%
Şişecam Dış Ticaret A.Ş.	0,00%	100.00%
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	0,00%	100.00%
Şişecam Soda Lukavac DOO	0,00%	89.30%
Toksöz Spor Malzemeleri Tic A.Ş.	0,00%	56.00%
Topkapı Yatırım Holding A.Ş.	0,00%	100.00%
Trakya Cam Investment BV	0,00%	100.00%
Trakya Cam Sanayii A.Ş.	0,00%	69.79%
Trakya Glass Bulgaria Ead	0,00%	100.00%
Trakya Glass Kuban OOO	0,00%	100.00%
Trakya Glass Rus Trading OOO	0,00%	100.00%
Trakya Glass Rus ZAO	0,00%	100.00%
Trakya Investment BV	0,00%	100.00%
Trakya Polatlı Cam Sanayii A.Ş.	0,00%	100.00%
Trakya Yenişehir Cam Sanayii A.Ş.	0,00%	100.00%
TRSG Autoglass Holding BV	0,00%	100.00%
TRSG Glass Holding BV	0,00%	70.00%
Tasfiye Halinde Tskb Gayrimenkul Danışmanlık A.Ş.	0,00%	97.52%
TSKB Gayrimenkul Değerleme A.Ş.	0,00%	100.00%
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	0,00%	60.63%
Yatırım Finansman Menkul Değerler A.Ş.	0,00%	98.42%

^(*) Includes the direct and indirect subsidiaries and participations in which Bank's direct or indirect share is equal to or exceeds five percentage points.

Changes in Share Percentages in Subsidiaries (*)

COMPANIES	Direct Share (%) December 2012	Direct Share (%) December 2013	Bank's Risk Group Share Percentage (%) December 2012	Bank's Risk Group Share Percentage (%) December 2013	Reason
DIRECT SUBSIDIARIES					
Bayek Tedavi Sağlık Hizmetleri ve İşlet. A.Ş.	86.90%	0.00%	98.29%	0.00%	Sale of share
Mipaş Mümessillik İthalat İhracat ve Paz. A.Ş.	99.98%	0.00%	100.00%	0.00%	Sale of share
INDIRECT SUBSIDIARIES					
AC Glass Invest BV	0.00%	0.00%	60.00%	0.00%	Merger
Aras Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş.	0.00%	0.00%	20.00%	0.00%	Sale of Share
Arc Paşabahçe Food Service LLC	0.00%	0.00%	50.00%	0.00%	Liquidation
Arena Su Sporları ve Tekstil San. Tic. A.Ş.	0.00%	0.00%	98.90%	0.00%	Merger
Automotive Glass Alliance Rus Trading OOO	-	-	-	100.00%	Establishment
Camiş Rus ZAO	0.00%	0.00%	100.00%	0.00%	Liquidation
Fillo Kargo A.Ş.	0.00%	0.00%	50.00%	0.00%	Sale of Share
Fritz Beteiligungsgesellschaft GmbH	-	-	-	100.00%	Share Purchase
Fritz Holding GmbH	-	-	-	100.00%	Share Purchase
Hng Float Glass Limited	-	-	-	50.00%	Share Purchase
OAO Ruscam-Kirishsky	0.00%	0.00%	100.00%	0.00%	Liquidation
Ons Spor Malzemeleri San. Tic. A.Ş.	0.00%	0.00%	99.00%	0.00%	Merger
OOO Ruscam Glass Packaging Holding	-	-	-	100.00%	Establishment
OOO Ruscam Holding	0.00%	0.00%	100.00%	0.00%	Merger
OOO Ruscam Management Company	-	-	-	100.00%	Establishment
Özel Türkmed Sağlık Hizmetleri ve Ticaret A.Ş.	0.00%	0.00%	25.78%	0.00%	Sale of Share
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	0.00%	0.00%	100.00%	0.00%	Merger
Richard Fritz GmbH + Co. Kg	-	-	-	100.00%	Share Purchase
Richard Fritz Inc.	-	-	-	100.00%	Share Purchase
Richard Fritz Kft	-	-	-	100.00%	Share Purchase
Richard Fritz Prototype + Spare Parts GmbH	-	-	-	100.00%	Share Purchase
Richard Fritz Spol S.R.O.	-	-	-	100.00%	Share Purchase
Saint Gobain Glass Egypt SAE	0.00%	0.00%	20.00%	30.82%	Share Purchase
Sisecam Chem Investment BV	-	-	-	100.00%	Establishment
Sportive Spor Malzemeleri San. Tic. A.Ş.	0.00%	0.00%	99.00%	0.00%	Merger
Tajmahal Spor Malzemeleri Tic A.Ş.	0.00%	0.00%	99.00%	0.00%	Merger
Trakya Glass Logistics	0.00%	0.00%	100.00%	0.00%	Merger
Trakya Glass Rus Trading OOO	-	-	-	100.00%	Establishment
TRSG Autoglass Holding BV	0.00%	0.00%	70.00%	100.00%	Share Purchase
Turkmed Diyaliz ve Böbrek Sağlığı Kurumları A.Ş.	0.00%	0.00%	25.78%	0.00%	Sale of Share

(*) Includes the subsidiaries and participations in which Bank's direct or indirect share percentages exceeded five, ten, twenty, twentyfive, thirtythree, fifty, sixtyseven or hundred percent or fell below the said percentages and the reasons for these transactions.

Amendments in the Articles of Incorporation in 2013(*)

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
12	<p>Transfer of Share Certificates</p> <p>Transfer of registered shares shall become effective according to the relevant legislation.</p> <p>However this transfer becomes effective vis-à-vis the Bank only upon registration in the book of shareholders. In accordance with the related provisions of the Turkish Commercial Code, the Board of Directors may decline to register even without assigning any reason therefore.</p>	<p>Share Transfer</p> <p>Registered shares shall be transferred according to the legislation.</p> <p>Share transfer: The share transfer is allowed on the condition that the relevant articles of Turkish Commercial Code, the Capital Markets legislation, the Banking Act and the relevant legislation as well as the provisions hereof remain reserved.</p>
23	<p>Management Organs</p> <p>The management organs of the Bank shall consist of the "Board of Directors" and if there exist, of "Credit Committee" and the "General Manager".</p>	<p>Management Bodies</p> <p>The Bank's management body is the Board of Directors.</p>
24	<p>Eligibility for Membership to the Board of Directors and for Appointment as the General Manager, Assistant General Manager, officers Authorized to Sign in the First Degree, and as Auditors</p> <p>To qualify for membership to the Board of Directors, a person is required to be a shareholder, to have full legal capacity to exercise all civil rights and share certificate shall be deposited to the Central Bank of the Republic of Turkey in accordance with the amount and manner as indicated in relevant laws.</p> <p>Persons who are prohibited with relevant laws may not become members to the Board of Directors, General Manager, Assistant General Manager, Officers authorized to sign in the first degree and Auditors.</p>	<p>Eligibility for Membership to the Board of Directors and for appointment as the General Manager, Assistant General Manager and Officers Authorized to Sign in the First Degree</p> <p>To qualify for membership to the Board of Directors, a person is required to have full legal capacity to exercise all civil rights and to meet such qualifications defined in the applicable legislation.</p> <p>Persons who are prohibited with relevant laws may not become members to the Board of Directors, General Manager, Assistant General Manager and Officers authorized to sign in the first degree.</p>
32	<p>Prohibited Transactions</p> <p>a) Members of the Board of Directors may not take part in deliberations concerning matters in which they are personally interested.</p> <p>b) Unless they have procured permission from the General Assembly, members of the Board of Directors may not enter into any commercial dealings with the Bank, directly or indirectly, either in their own names or in the name of others.</p> <p>c) The Chairman and members of the Board of Directors and of the Credit Committee may not take part in deliberations regarding applications for loans, guarantee or surety made by their relatives of the degree of closeness specified by paragraph 3 of Article 245 of the Code of Civil Procedure, nor may they cast their votes on such matters.</p> <p>d) The Board of Directors may neither purchase any of the share certificates of the Corporation on behalf of the Bank, nor extend loans and advances on the security thereof, Exemptions provided under Article 329 of the Turkish Commercial Code are reserved.</p>	<p>Prohibited Transactions</p> <p>a) Members of the Board of Directors may not take part in deliberations concerning matters in which they are personally interested.</p> <p>b) Unless they have procured permission from the General Assembly, members of the Board of Directors may not enter into any commercial transactions with the Bank, directly or indirectly, either in their own names or in the name of others.</p> <p>c) The Chairman and members of the Board of Directors may not take part in discussions in circumstances banned in the Banking Act and in circumstances set out in Article 393 of Turkish Commercial Code (Law Nr. 6102) and they may not cast vote on these matters.</p>
40	<p>Election of Auditors</p> <p>Two Auditors shall each year be elected by the General Assembly, to be entrusted with the duties of auditing, in accordance with the provisions of these Articles of Incorporation, of the Turkish Commercial Code and of the Banking Act. Auditors shall be eligible for re-election. Auditors who have gone bankrupt or have become insolvent shall be deemed to have resigned.</p>	<p>The Bank's Audit and Election of Auditors</p> <p>The Bank's audit and the election of auditors is subject to the provisions of the applicable legislation.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
41	<p>Duties of Auditors</p> <p>The Auditors are empowered to examine and audit all the accounts and operations of the Bank. They may examine and audit, on the premises, all books, correspondence and minutes. The Board of Directors shall be bound, at the close of each semi-annual period, to draw up and make available for the Auditors, statements reflecting the assets and liabilities of the Bank.</p> <p>The Auditors shall be required to submit to the General Assembly a report containing their findings at the conclusion of investigations carried out pursuant to the provisions of these Articles of Incorporation, the Turkish Commercial Code and the Banking Act, as well as their views on the annual balance sheet, profit and loss account and on the proposal of the Board of Directors regarding the distribution of profits.</p> <p>The Auditors shall be responsible for delivering or forwarding to the relevant authorities one copy of each of the reports which they shall prepare in accordance with the relevant laws and the Articles of Incorporation within the due time thereof.</p> <p>Auditors may attend the meetings of the Board of Directors provided that they do not take part in the casting of votes. Any proposal which the auditors consider appropriate shall be included on the agendas of both the Board of Directors and the General Assembly.</p> <p>In situations indicated by the Turkish Commercial Code, the Auditors shall be responsible for convening the General Assembly.</p>	<p>Duties of Auditors</p> <p>Removed from the Articles of Incorporation</p>
42	<p>Remuneration of Auditors</p> <p>The amount and the manner of payment of remunerations of the Auditors shall be determined annually by the General Assembly.</p>	<p>Remuneration of Auditors</p> <p>Removed from the Articles of Incorporation.</p>
43	<p>Liability</p> <p>The Auditors shall be held jointly and severally liable for any failure in diligently carrying out the duties conferred upon them under the law and these Articles of Incorporation.</p>	<p>Liability</p> <p>Removed from the Articles of Incorporation.</p>
44	<p>Ordinary and Extraordinary General Assemblies</p> <p>The shareholders of the Bank shall hold a General Assembly at least once a year. The General Assemblies held in accordance with the law and the provisions of these Articles of Incorporation shall represent the entire body of shareholders. Resolutions adopted at the General Assemblies thus held shall be binding upon dissenting, as well as, non-attending shareholders.</p> <p>The General Assembly may be Ordinary or Extraordinary. The Ordinary General Assembly shall be held at least once a year, within three months as of the date of conclusion of the accounting year. In the course of this meeting, matters specified in Article 369 of the Turkish Commercial Code shall be discussed and resolved upon. The Extraordinary General Assembly of Shareholders shall be held in such cases and at such times as may be required by the business of the Bank.</p>	<p>Ordinary and Extraordinary General Assemblies</p> <p>The shareholders of the Bank shall hold a General Assembly at least once a year. The General Assemblies held in accordance with the law and the provisions of these Articles of Incorporation shall represent the entire body of shareholders. Resolutions adopted at the General Assemblies thus held shall be binding upon dissenting, as well as, non-attending shareholders.</p> <p>The General Assembly may be Ordinary or Extraordinary. The Ordinary General Assembly shall be held once a year in any case within three months as of the date of conclusion of the accounting year. In the course of this meeting, matters specified in Article 409 of the Turkish Commercial Code shall be discussed and resolved upon. The Extraordinary General Assembly of Shareholders shall be held in such cases and at such times as may be required by the business of the Bank.</p> <p>The provisions of the Capital Markets legislation and the Banking legislation are reserved.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
45	<p style="color: #00AEEF;">Summon to a Meeting</p> <p>The responsibility of summoning the General Assembly to an Ordinary Meeting rests upon the Board of Directors, while an Extraordinary Assembly shall be summoned either by the Board or under the provisions of Article 355 of the Turkish Commercial Code, by the Auditors.</p> <p>The Board of Directors shall be bound to summon an Extraordinary General Assembly when shareholders holding in value not less than one-tenth of the shares of the Corporation submit a written request containing justificatory grounds for a meeting. Should such a request by shareholders is not taken into consideration by the Board of Directors and, under Article 355 of the Turkish Commercial Code by the Auditors, the court of justice at the place where the Head Office of the Corporation is located, may authorize the said shareholders, upon their request, to summon all shareholders to a General Assembly.</p>	<p style="color: #00AEEF;">Summon to a Meeting</p> <p>The responsibility of summoning the General Assembly to a Meeting rests upon the Board of Directors.</p> <p>Shareholders holding in value not less than one-twentieth of the Corporation's capital may apply to the Board of Directors and ask that the General Assembly should be summoned to a meeting in line with the applicable legislation.</p>
46	<p style="color: #00AEEF;">Announcements</p> <p>The agenda of the General Assembly shall be prepared by the Board of Directors and announced at least two weeks before the date of the Meeting of the General Assembly. Notices to be thus announced shall specify the place, the date and the hour of the Meeting of the General Assembly and shall be announced at least two weeks before the date of the Meeting of the General Assembly (excluding the date of announcement and of the Meeting of the General Assembly) in the Gazette of the Turkish Commercial Register, as well as in at least two other newspapers. Announcements concerning the General Assembly shall contain the agendas of such General Assemblies. Items not included on the agenda may not be discussed. The Board of Directors shall be bound to include on the agenda any items requested, when shareholders holding in value not less than one-tenth of the shares of the Corporation submit a written request to that effect containing justificatory grounds. Should such a request by shareholders is not taken into consideration by the Board of Directors and under Article 355 of the Turkish Commercial Code, by the Auditors, the court of justice, at the place where the Head Office of the Corporation is located, may authorize the said shareholders upon their request, to summon all shareholders to a General Assembly and to include the items in question on the agenda.</p>	<p style="color: #00AEEF;">Announcements</p> <p>The agenda of the General Assembly shall be prepared by the Board of Directors and announced at least three weeks before the date of the Meeting of the General Assembly in line with the Turkish Commercial Code, the Capital Markets legislation and the applicable legislation. Announcements concerning the General Assembly shall contain the agendas of such General Assemblies. Items not shown in the agenda may not be discussed. Before paying the announcement fee for the publication of the summons in the Gazette of Turkish Commercial Registration, shareholders holding in value not less than one-twentieth of the Corporation's capital may apply to the Board of Directors and demand to add item into the meeting agenda, provided that such demand shall have been delivered to the Corporation's Board of Directors via a notary public.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
47	<p>Place of Meeting</p> <p>The General Assembly shall be held at the Head Office of the Bank, or in any other suitable place in the city where the Head Office is located.</p>	<p>Meeting Place and Procedure</p> <p>The General Assembly shall be held at the Head Office of the Bank, or in any other suitable place in the city where the Head Office is located.</p> <p>Stakeholders entitled to attend the Corporation's general assembly meetings may attend these meetings electronically in line with Article 1527 of Turkish Commercial Code. The Corporation may set up such electronic general assembly system, which allows the stakeholders to attend, discuss, make proposals and vote at the general assembly meetings electronically under the provisions of the Regulation on General Assemblies to be held Electronically In Joint Stock Companies, or buy such systems developed for this purpose. In all general assembly meetings to be held, pursuant to this provision of the Articles of Incorporation, it shall be assured that the stakeholders or their proxies will be able to exercise their respective rights as set out in the said Regulation.</p>
48	<p>Quorum for Meetings</p> <p>Unless otherwise specified in these Articles of Incorporation or in the Turkish Commercial Code, the presence in person or by proxy of shareholders representing not less than one-fourth of the Capital shall be required at the General Assembly. Failing such quorum at the first meeting, the shareholders shall be summoned to a second meeting. Regardless of the amount of the capital represented by the shareholders attending this second meeting, the General Assembly shall be deemed to have been validly held and it shall proceed with deliberations and adopt necessary resolutions. In order for a resolution to be valid, the majority of votes cast in person or by proxy is necessary. For the purpose of approval of the Balance Sheet, and of matters involving the liability of members of the Board of Directors, shares owned by the latter shall be taken into account in ascertaining the quorum, although they shall not entitle their owners to vote on such matters.</p> <p>In Extraordinary General Assemblies to be held for the purpose of amending these Articles of Incorporation, related provisions of the Turkish Commercial Code shall be implemented so far as matters of quorum is concerned.</p>	<p>Quorum for Meetings</p> <p>Unless otherwise specified in these Articles of Incorporation or in the Turkish Commercial Code, the presence in person or by proxy of shareholders representing not less than one-fourth of the Capital shall be required at the General Assembly. Failing such quorum at the first meeting, the shareholders shall be summoned to a second meeting. Regardless of the amount of the capital represented by the shareholders attending this second meeting, the General Assembly shall be deemed to have been validly held and it shall proceed with deliberations and adopt necessary resolutions. In order for a resolution to be valid, the majority of votes cast in person or by proxy is necessary. Whereas the Corporation's Board members, general manager, deputy general managers and sole authorized signatories in charge of the management of the Corporation are included in the meeting quorum for the resolutions concerning the release of Board members, they shall not be entitled to use their rights arisen from their own shares in these meetings.</p> <p>In Extraordinary General Assemblies to be held for the purpose of amending the Articles of Incorporation, related provisions of the Turkish Commercial Code shall be implemented so far as matters of quorum is concerned.</p> <p>The provisions in the Capital Markets legislation and the Banking legislation regarding the meeting and resolution quorums for General Assembly shall remain reserved.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
49	<p>Votes</p> <p>At least one share is needed for participating the Ordinary and Extraordinary General Assembly. Each share provides one vote to its owner.</p> <p>Due to the reason that each share must have a minimum nominal value of 1 Kurus in accordance with the Law Nr. 5274 on the amendment of the Turkish Commercial Code, 20 of the Group (A) shares, each of which previously had a nominal value of TL 500 (this amount is related to the period prior to the Law Regarding the Monetary Unit of the Turkish Republic Numbered: 5083 on which the rate of change has not been applied) were grouped together. Each Group (A) share, composed of 20 Group (A) shares each with a nominal value of 1 Kurus, gives its shareholder 20 voting rights.</p> <p>Those to attend the General Assembly shall be required to deliver to the Board of Directors or to such place as the latter shall designate, at least one week before the Meeting of the General Assembly, a list indicating the amount and serial numbers of shares owned by them. They shall in return receive a card of admission. On the other hand, registered shareholders' right to directly attend the General Assembly remains reserved.</p> <p>Votes may be cast by proxy. The provisions related to voting by proxy remain reserved.</p> <p>Shareholders, who intend to participate in the General Assembly by giving proxy, shall be required to deliver a power of proxy together, with the list referred to above, to the Board of Directors, or to places designated by the latter, not less than one week prior to the meeting. In case the shareholder is a government agency or a company or an institution with legal personality or a person placed under the care of a guardian, no powers of proxy as such shall be required beyond the due verification of authority to represent.</p>	<p>Votes</p> <p>At least one share is needed for participating the Ordinary and Extraordinary General Assembly. Each share provides one vote to its owner.</p> <p>Due to the reason that each share must have a minimum nominal value of 1 New Kurus in accordance with the Law Nr. 5274 on the amendment of the Turkish Commercial Code, 20 of the Group (A) shares, each of which previously had a nominal value of TL 500 were grouped together. Each Group (A) share with a nominal value of 1 New Kurus is composed of 20 Group (A) shares and gives its shareholder 20 voting rights.</p> <p>Votes may be cast by proxy. The provisions related to voting by proxy remain reserved.</p> <p>Shareholders, who intend to participate in the General Assembly by giving proxy, shall be required to deliver a power of proxy to the Board of Directors, or to places designated by the latter, at such time to be determined by the Board of Directors. In case the shareholder is a government agency or a company or an institution with legal personality or a person placed under the care of a guardian, no powers of proxy as such shall be required beyond the due verification of authority to represent.</p> <p>For the purposes of exercising voting rights in a General Assembly meeting, the provisions of Turkish Commercial Code, the Capital Markets legislation, the Banking legislation and the applicable legislation are to be complied.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
50	<p>Sessions</p> <p>For the purpose of ascertaining the existence of a quorum at the General Assembly, a list shall be drawn up, prior to the Meeting of the General Assembly stating the names of attending shareholders and the numbers of votes they are respectively entitled either in the capacity of principals or proxies, and such list shall be signed by those present.</p> <p>The General Assembly shall be presided over by the Chairman of the Board of Directors and, in his absence, by a person to be elected for this purpose from among the members of the Board. Two shareholders present and holding the largest number of votes shall be responsible for the counting of the votes. The Secretary of the Meeting of the General Assembly shall be appointed by the Chairman. The Chairman may rule the continuation of the Meeting for several sessions until the items on the agenda are decided upon by the General Assembly.</p> <p>Votes at the General Assembly shall be taken by raising of hands. A vote by written ballot shall be taken when so requested by one of the shareholders present, provided that it is resolved by the General Assembly.</p>	<p>Sessions</p> <p>Those who are eligible to attend a General Assembly meeting shall be determined by the Board of Directors in accordance with Turkish Commercial Code and other applicable legislation, and a list of those eligible attendees shall be formed. The list which shall be signed by the attendees to a General Assembly meeting shall be thereafter referred to as the list of present attendees.</p> <p>A General Assembly meeting shall be chaired by the Board chairman or, in his absence, by a Board member to be elected from among the members. The Chairman may appoint the reporter, and if he deems it necessary, the vote collector. The Chairman may rule the continuation of the meetings for several sessions until the items on the agenda are decided upon by the General Assembly.</p> <p>Those who are present in a General Assembly meeting shall cast votes by raising hands. Where a person attends a General Assembly meeting electronically, he shall cast votes through the Electronic General Assembly System under the applicable legislation. Upon the demand of one of the present shareholders written vote may be applied subject to a decision by the General Assembly in this respect.</p>
53	<p>Minutes of Discussions</p> <p>In order for the resolutions adopted at a General Assembly to be valid, minutes of discussions should be drawn up, setting forth the nature and outcome of such resolutions as well as the motives of dissension of dissenting shareholders. The said minutes shall be signed by those shareholders who have taken part in the vote and by the government representative who has attended the meeting.</p> <p>The Chairman and the persons entrusted with the counting of the votes may be empowered to sign the said minutes in the names of shareholders who have taken part in the vote, through a power of attorney to be granted and signed by such shareholders. The list specifying the names of the shareholders or their representatives attending the meeting, and documents attesting that the General Assembly has been summoned in due process shall be attached to the said minutes. Should the contents of such documents be included in the minutes, there shall be no need for them to be so attached. The Board of Directors shall be responsible for immediately delivering a duly notarized copy of the minutes to the Commercial Register, and for registration and publication of those parts of the minutes subject to registration and publication.</p>	<p>Minutes of Discussions</p> <p>Minutes for the General Assembly meetings shall be drawn up in line with the applicable legislation.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
54	<p style="color: #00AEEF;">Government Representatives, Documents to be Forwarded to the Ministry of Commerce</p> <p>The Ministry of Commerce shall be informed at least twenty days in advance, of the date when Ordinary or Extraordinary General Assembly is to be held, and copies of the agenda, together with documents relating thereto shall be forwarded to the said Ministry. The presence of a representative of a Ministry of Commerce is mandatory in all the General Assemblies. Resolutions adopted at the General Assembly in the absence of the said representative shall be void.</p> <p>Three copies each of the reports of the Board of Directors and of the Auditors, of the balance sheet, of the minutes of the General Assembly and of the list showing the names and the amounts of shares of each shareholder present at the meeting shall be forwarded, at the latest within a month as of the last day of the said General Assembly, to the Ministry of Commerce, or such documents shall be delivered to the representatives of the government who shall be present at the General Assembly.</p>	<p style="color: #00AEEF;">Permissions and Notices</p> <p>The provisions of Turkish Commercial Code, and Capital Markets legislation and Banking legislation shall be observed with respect to those permissions to be obtained and the notices to be served as well as the procedures and terms for the convention of general assembly meetings, including the ones related to the amendments to the Articles of Incorporation.</p>
56	<p style="color: #00AEEF;">Proposals Regarding the Balance Sheet, Profit and Loss Account, Annual Report, Distribution of Dividends</p> <p>At the end of each accounting year, a balance sheet showing the general financial situation of the Bank, and a statement of account indicating the profit and loss situation, shall be drawn up in accordance with the format prescribed in the relevant legislation. The balance sheet, the profit and loss account, the annual report and proposals regarding the distribution of profits, as well as the Auditors' report, shall be made available to the shareholders at the Head Office and branch offices of the Bank at least fifteen days in advance of the Ordinary General Assembly. Among these documents, the balance sheet, the profit and loss account and the annual report shall be kept at the disposal of the shareholders for a period of one year as of the date of the Meeting of the General Assembly. Any shareholder shall be entitled to a copy of the profit and loss account and of the balance sheet at the expense of the Bank. The fact that these documents have been placed at the disposal of the shareholders shall be published in the Gazette of Turkish Commercial Register and in at least two other newspapers.</p> <p>Within the scope of the provisions of the legislation, from the date of the meeting of the General Assembly, the balance sheet and the profit and loss account certified by the auditors, accompanied by the report of the Board of Directors and of Auditors, shall be delivered to the relevant competent authorities and announced in the Official Gazette and in a state wide published newspaper.</p> <p>Financial statements, which are envisaged to be drawn up by the Capital Market Board and in the case of being subject to independent audit, the independent audit report shall be sent to the Board under the procedures and principles determined by the Board and announced to the public.</p>	<p style="color: #00AEEF;">Proposals Regarding the Balance Sheet, Profit and Loss Account, Annual Report, Distribution of Dividends</p> <p>At the end of each accounting year, financial statements showing the general financial situation of the Bank shall be drawn up in accordance with the format prescribed in the relevant legislation. The financial statements, consolidated financial statements, Annual Report of the Board of Directors, audit reports and the proposal of the Board of Directors for the distribution of the dividend shall be made available for the inspection of the shareholders at the bank's head office and branches not later than fifteen days prior to the ordinary General Assembly meeting. Among these items, the financial statements and consolidated statements shall be kept accessible for inspection by the shareholders at the Head Office and the branches for a period of one year. Each shareholder may request a copy of the income statement and balance sheet at the Bank's expense.</p>

Amendments in the Articles of Incorporation in 2013

ARTICLE NR.	PREVIOUS TEXT	NEW TEXT
57	<p>Quarterly Statement of Accounts</p> <p>Quarterly statement of accounts which are drawn up as of the end of March, June, September and December and certified by the Auditors shall be forwarded to the relevant competent authorities in a period indicated by the competent Ministry.</p>	<p>Quarterly Statement of Accounts</p> <p>Financial statements to be drawn up by the Corporation shall be sent to related authorities in line with the applicable legislation to which the Corporation is subject to.</p>
65	<p>Statistics</p> <p>Statistical information related to the operations of each year shall be kept in a book in accordance with a specimen to be provided by the State Institute of Statistics, and shall be forwarded to the Ministry of Commerce at the latter's request.</p>	<p>Statistics</p> <p>Removed from the Articles of Incorporation</p>
66	<p>Pension Funds and Other Social Assistance and Welfare Institutions</p> <p>Upon the decision of the Board of Directors the Bank may, under Article 468 and paragraph three of Article 469 of the Turkish Commercial Code, set up pension funds and other social assistance and welfare foundations or funds. Eligibility and conditions for utilizing the privileges entailed by such foundations or funds shall be determined by a set of rules or regulations to be drawn up in this connection by the Board of Directors of the Bank.</p>	<p>Pension Funds and Other Social Assistance and Welfare Institutions</p> <p>Upon the decision of the Board of Directors the Bank may, under Articles 522 and 523 of Turkish Commercial Code, set up pension funds and other social assistance and welfare foundations or funds. Eligibility and conditions for utilizing the privileges entailed by such foundations or funds shall be determined by a set of rules or regulations to be drawn up in this connection by the Board of Directors of the Bank.</p>
67	<p>Notices</p> <p>Notices relating to the Bank shall be published ten days in advance in at least two newspapers, one in Ankara and the other in İstanbul, provided that provisions of Article 37 of the Turkish Commercial Code and the legislation of the Capital Market concerning the announcements are reserved.</p>	<p>Notices</p> <p>Notices relating to the Bank shall be published in line with the Article 35 of the Turkish Commercial Code, provisions of the Banking Act and the Capital Market legislations.</p>
68	-	<p>Donations</p> <p>Donations may be made in line with the provisions of the Banking Act and the Capital Markets Law.</p>
69	-	<p>Compliance with Corporate Governance Principles</p> <p>The Bank shall comply with Corporate Governance Principles that are required by the Capital Markets Board. Any transaction executed and any board resolution adopted by eschewing the mandatory principles shall be null and void, and considered a breach of the Articles of Incorporation.</p> <p>For the purposes of the application of the Corporate Governance Principles, the Corporation shall comply with the corporate governance regulations imposed by the Capital Markets Board in its material transactions and its material related-party transactions.</p> <p>The number and qualifications of the independent members who shall be elected to the Board of Directors shall be determined according to the corporate governance regulations imposed by the Capital Markets Board.</p>

(*) Includes the amendments in the Articles of Incorporation made at Extraordinary General Meeting on 29 March 2013.

Information to Shareholders

Corporate Title: Türkiye İş Bankası Anonim Şirketi

Trade Registry Number: 431112

Address: İş Kuleleri 34330 Levent/İstanbul

Web Site: www.isbank.com.tr

Contact Information of Branches: Please visit www.isbank.com.tr

Annual General Meeting:

As per the decision of the Board of Directors of İşbank, the Annual General Meeting of the Bank will be held at 14:00 on 28 March 2014, Friday in the İş Kuleleri Headquarters Auditorium, 34330 Levent-İstanbul.

Independent Auditor:

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
KPMG Turkey
İstanbul Head Office
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No:29 Beykoz 34805 İstanbul
Telephone: +90 (216) 681 90 00
Fax: +90 (216) 681 90 90

Company Announcements and Financial Data:

İşbank's financial statements, independent auditor's reports, annual reports, press releases and disclosures of material events are available on the Bank's corporate website under the title of Investor Relations, in both Turkish and English. In addition, information may also be requested via letter or e-mail from the Bank's Investor Relations Division, the contact information for which is given below.

Investor Relations Division:

Süleyman H. Özcan, Division Head
İş Kuleleri Kule: 1
Kat: 15, 34330
Levent/İstanbul
Telephone: (90 212) 316 16 02
E-mail: investorrelations@isbank.com.tr

Dividend Payments:

İşbank's dividend payment policy is set out in detail in article 58 of the Bank's articles of incorporation. Information about the policy is provided in this annual report. The said information is also available on the Bank's corporate website under the title of Investor Relations, in Turkish and English.

Company Share information:

İşbank's Group A, Group B and Group C shares are listed on the Borsa İstanbul National Market. İşbank's Group C shares are traded on London Stock Exchange as Global Depository Receipts, being subject to "Regulation S"; they are also traded on over-the-counter markets in the U.S.A. as American Depository Receipts, being subject to "Rule 144 A".

www.isbank.com.tr

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