

Türkiye İş Bankası A.Ş.

Separate Financial Statements
As at and for the Year Ended
31 December 2013

30 April 2014

This report includes 85 pages of "separate financial statements together with their explanatory notes".

PARENT BANK SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The accompanying financial statements are separate financial statements of Türkiye İş Bankası A.Ş. ("the Bank"). Consolidation of subsidiaries (IFRS 10), joint venture accounting (IFRS 11) and equity method of accounting for associated companies (IAS 28) have not been applied in the accompanying separate financial statements and disclosures.

As at the reporting date, the accompanying separate statement of financial position includes a general provision amounting to TL 1,000,000 thousands provided by the Bank management in line with conservatism principle considering the potential circumstances which may arise from any changes in the economy or market conditions.

Yours faithfully,



TÜRKİYE İŞ BANKASI A.Ş.
İstanbul

30 April 2014

CONTENTS	PAGES
SEPARATE STATEMENT OF FINANCIAL POSITION	1-2
SEPARATE STATEMENT OF COMPREHENSIVE INCOME	3
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	4
SEPARATE STATEMENT OF CASH FLOWS	5
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	6-85
Note 1 Activities of the Bank	6
Note 2 Basis of Preparation	6
Note 3 Accounting Policies	8
Note 4 Cash and Cash Equivalents	27
Note 5 Balances with the Central Bank	27
Note 6 Loans and Advances to Banks	28
Note 7 Investment Securities	29
Note 8 Derivative Financial Instruments	31
Note 9 Loans and Advances to Customers	32
Note 10 Investments in Equity Participations	35
Note 11 Non-current Assets Held for Sale	36
Note 12 Property and Equipment	37
Note 13 Intangible Assets	39
Note 14 Other Assets	39
Note 15 Deposits	40
Note 16 Obligations Under Repurchase Agreements	40
Note 17 Funds Borrowed	41
Note 18 Debt Securities Issued	45
Note 19 Taxation	46
Note 20 Provisions	51
Note 21 Other Liabilities	55
Note 22 Subordinated Liabilities	55
Note 23 Capital and Reserves	55
Note 24 Net Fee and Commission Income	57
Note 25 Other Operating Income	57
Note 26 General Administrative and Other Operating Expenses	58
Note 27 Related Parties	58
Note 28 Commitments and Contingencies	59
Note 29 The Bank's Strategy for the Use of Financial Instruments	61
Note 30 Risk Management	62
Note 31 Segment Reporting	80
Note 32 Earnings per C Class Share	84
Note 33 Subsequent Events	85

TÜRKİYE İŞ BANKASI A.Ş.**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013***(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

ASSETS	Note	31 December 2013	31 December 2012
Cash and cash equivalents	4	2,152,335	1,658,038
Balances with the Central Bank	5	20,807,718	14,199,251
Loans and advances to banks	6	1,527,610	1,434,846
Financial assets at fair value through profit or loss (net)		2,203,558	1,373,336
- <i>Trading investment securities</i>	7-a	890,985	754,673
- <i>Derivative financial instruments</i>	8	1,312,573	618,663
Loans and advances to customers	9	134,162,847	106,081,171
Investment securities		35,947,193	37,284,977
- <i>Available for sale investment securities</i>	7-b	28,319,745	26,331,819
- <i>Held to maturity investment securities</i>	7-c	7,627,448	10,953,158
Investments in equity participations (net)	10	7,778,938	7,715,038
Property and equipment	12	1,831,606	1,820,908
Non-current assets held for sale	11	72,557	72,970
Intangible assets	13	195,959	104,907
Other assets	14	1,702,697	1,364,066
Deferred tax asset	19-a	664,315	731,059
TOTAL ASSETS		209,047,333	173,840,567

The accompanying notes form an integral part of these separate financial statements.

TÜRKİYE İŞ BANKASI A.Ş.**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013***(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

LIABILITIES	Note	31 December 2013	31 December 2012
Deposits	15	120,974,765	105,383,434
<i>Deposits from banks</i>		3,979,410	3,045,951
<i>Deposits from customers</i>		116,995,355	102,337,483
Obligations under repurchase agreements	16	20,916,278	13,519,099
Funds borrowed	17	15,909,946	10,736,807
Debt Securities Issued	18	10,080,005	6,355,909
Derivative financial instruments	8	981,522	737,284
Other taxes and dues payable	19-a	214,349	190,943
Corporate tax liability	19-a	104,681	351,351
Provisions	20	3,639,221	3,463,753
Other liabilities	21	8,193,608	7,511,085
Subordinated liabilities	22	2,984,143	1,804,451
TOTAL LIABILITIES		183,998,518	150,054,116
SHAREHOLDERS' EQUITY			
Share capital	23	6,115,938	6,115,938
Share premium		3,694	3,694
Legal reserve		2,044,830	1,816,495
Fair value reserve		2,012,390	3,731,279
Translation reserve		61,360	(13,354)
Retained earnings		14,810,603	12,132,399
TOTAL SHAREHOLDERS' EQUITY		25,048,815	23,786,451
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		209,047,333	173,840,567
Commitments and Contingencies	28	163,132,517	126,895,616

The accompanying notes form an integral part of these separate financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Note	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Interest Income			
Interest on loans		10,390,523	9,697,182
Interest on reserve deposits at the Central Bank		-	-
Interest on deposits at banks		8,190	12,284
Interest on interbank funds sold		167	407
Interest on securities portfolio		3,014,775	3,653,937
Other interest income		41,777	42,087
Total interest income		13,455,432	13,405,897
Interest Expense			
Interest on deposits		(4,854,411)	(5,469,527)
Interest on interbank funds borrowed		(946,292)	(1,221,163)
Interest on borrowings		(338,799)	(259,778)
Interest on debt securities issued		(584,757)	(438,540)
Other interest expenses		(80,993)	(73,490)
Total interest expense		(6,805,252)	(7,462,498)
Net interest income		6,650,180	5,943,399
Fee and commission and other operating income			
Fee and commission income	24	2,161,442	1,930,100
Fee and commission expense	24	(231,611)	(212,370)
Net fee and commission income		1,929,831	1,717,730
Securities trading income, (net)		155,651	617,560
Derivative trading income/(expense), (net)		(249,394)	(483,135)
Foreign exchange gains /(losses), (net)		320,668	455,965
Other operating income	25	432,691	364,268
General administrative and other operating expenses	26	(5,111,325)	(4,600,032)
Reversal of impairment losses on loans and receivables, (net)	9,20	(308,778)	19,509
Operating profit		3,819,524	4,035,264
Dividend income		450,312	417,703
Income before taxation		4,269,836	4,452,967
Income tax expense	19-b	(704,179)	(821,340)
Net profit for the year		3,565,657	3,631,627
Earnings per C Class share (full TL)	32	0.0317	0.0323
OTHER COMPREHENSIVE INCOME			
Change in unrealised gain on available for sale investments		(1,557,150)	1,248,232
Net losses on available for sale assets transferred to the profit or loss on disposal		(53,993)	(21,631)
Change in fair value of investment in equity participations		(107,746)	997,530
Change in currency translation difference		41,777	(103,121)
Remeasurements of defined benefit liability		32,937	-
Other comprehensive income for the year net of income tax		(1,644,175)	2,121,010
Total comprehensive income for the year		1,921,482	5,752,637

The accompanying notes form an integral part of these separate financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Note	Share Capital	Share Premium	Legal Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Shareholders' Equity
Balance at 1 January 2012		6,115,938	3,694	1,646,564	1,507,148	89,767	9,214,450	18,577,561
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	3,631,627	3,631,627
Other comprehensive income								
Change in unrealised gain on available for sale investments		-	-	-	1,248,232	-	-	1,248,232
Net loss on available-for-sale assets transferred to profit/loss on disposal		-	-	-	(21,631)	-	-	(21,631)
Change in fair value of investment in equity participations		-	-	-	997,530	-	-	997,530
Foreign currency translation difference		-	-	-	-	(103,121)	-	(103,121)
Total other comprehensive income		-	-	-	2,224,131	(103,121)	-	2,121,010
Total comprehensive income for the year		-	-	-	2,224,131	(103,121)	3,631,627	5,752,637
Transactions with owners, recorded directly in equity								
Capital increase		-	-	-	-	-	-	-
Dividends to equity holders	23	-	-	-	-	-	(543,747)	(543,747)
Total contributions by and distributions to owners		-	-	-	-	-	(543,747)	(543,747)
Transfer to legal reserve	23	-	-	169,931	-	-	(169,931)	-
Balances at 31 December 2012		6,115,938	3,694	1,816,495	3,731,279	(13,354)	12,132,399	23,786,451
Balance at 1 January 2013		6,115,938	3,694	1,816,495	3,731,279	(13,354)	12,132,399	23,786,451
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	3,565,657	3,565,657
Other comprehensive income								
Change in unrealised gain on available for sale investments		-	-	-	(1,557,150)	-	-	(1,557,150)
Net loss on available-for-sale assets transferred to profit/loss on disposal		-	-	-	(53,993)	-	-	(53,993)
Change in fair value of investment in equity participations		-	-	-	(107,746)	-	-	(107,746)
Foreign currency translation difference		-	-	-	-	41,777	-	41,777
Other		-	-	-	-	32,937	-	32,937
Total other comprehensive income		-	-	-	(1,718,889)	74,714	-	(1,644,175)
Total comprehensive income for the year		-	-	-	(1,718,889)	74,714	3,565,657	1,921,482
Transactions with owners, recorded directly in equity								
Capital increase		-	-	-	-	-	-	-
Dividends to equity holders	23	-	-	-	-	-	(659,118)	(659,118)
Total contributions by and distributions to owners		-	-	-	-	-	(659,118)	(659,118)
Transfer to legal reserve	23	-	-	228,335	-	-	(228,335)	-
Balances at 31 December 2013		6,115,938	3,694	2,044,830	2,012,390	61,360	14,810,603	25,048,815

The accompanying notes form an integral part of these separate financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	Note	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Cash flows from operating activities			
Profit for the year		3,565,657	3,631,627
Adjustments for:			
Depreciation of property and equipment	11,12	207,057	186,694
Amortisation of intangible assets	13	95,708	68,548
Net impairment losses on loans and advances	9	839,904	616,105
Net impairment loss on equity participations	10	-	17,886
Collections and reversals from loan losses	9	(585,488)	(653,519)
Net interest income		(6,650,180)	(5,943,399)
Impairment loss/(reversal) on property and equipment	12	(45,628)	(7,885)
Employment termination benefits	20	16,248	124,768
Other provision (income)/ expense		181,611	18,680
Income tax expense	19	363,860	1,117,517
Dividends received		(450,312)	(417,703)
Accrued interest and other (income)/expense		3,788,922	(3,555,450)
Deferred tax benefit	19	340,319	(296,177)
Translation of foreign branches		74,714	(103,121)
Gain on sale of property and equipment		4,451	(49,428)
Operating income (loss) before changes in operating assets / liabilities		1,746,843	(5,244,857)
Changes in operating assets and liabilities:			
Change in loans and advances to banks		(3,575,370)	(4,446,091)
Change in financial assets at fair value through profit or loss		(148,595)	(70,054)
Change in loans and advances to customers		(21,036,067)	(10,664,213)
Change in other assets		(862,170)	166,334
Change in deposits		8,795,490	5,878,208
Change in obligations under repurchase agreements		7,403,918	(5,898,094)
Change in liabilities and provisions		(1,142,301)	4,005,328
Income tax paid		(777,636)	(1,060,136)
Employment severance indemnity paid	20	(20,019)	(18,384)
Net cash from (used in) operating activities		(9,615,907)	(17,351,959)
Cash flows from investing activities:			
Acquisition of available for sale investment securities	7	(11,765,534)	(13,490,340)
Proceeds from sale of available for sale investment securities	7	8,900,633	16,704,991
Acquisition of investment securities		(24,953)	(14,913)
Proceeds from sale of investment securities		2,926,786	2,388,275
Acquisition of investments in equity participations		(54,456)	(97,452)
Proceeds from sale of investments in equity participations		214,325	-
Dividends received		163,755	145,842
Acquisition of property and equipment	12	(206,604)	(197,628)
Proceeds from sale of property and equipment		211,624	258,029
Acquisition of intangible assets	13	(193,377)	(109,778)
Net cash used in investing activities		172,199	5,587,026
Cash flows from financing activities:			
Proceeds from loans and advances from banks (net)		3,000,768	(872,193)
Proceeds from issuance of debt securities		(10,057,399)	(5,992,854)
Payments to issued debt securities		13,473,219	8,262,521
Proceeds from subordinated liabilities		845,000	1,785,000
Repayment of finance lease liabilities		-	(12)
Interest received		12,749,992	13,501,530
Interest paid		(6,739,884)	(7,243,520)
Dividends paid	23	(796,619)	(633,636)
Net cash from financing activities		12,475,077	8,806,836
Net increase/(decrease) in cash and cash equivalents		3,031,369	(2,958,097)
Cash and cash equivalents at 1 January		5,913,386	8,988,420
Effect of foreign exchange rate fluctuations on cash and cash equivalents		595,762	(116,937)
Cash and cash equivalents at 31 December	4	9,540,517	5,913,386

The accompanying notes form an integral part of these separate financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1. ACTIVITIES OF THE BANK

Türkiye İş Bankası A.Ş. ("the Bank") was incorporated in Turkey in 1924. The Bank provides private, retail, commercial and corporate banking, money market and securities market operations as well as international banking services. The bank now operates a nationwide network of 1,289 (31 December 2012: 1,231) branches, 5,678 ATMs (31 December 2012: 4,852 ATMs), 5 foreign branches in London, in Bahrain, in Erbil, in Batumi and in Pristina, 15 branches in the Turkish Republic of Northern Cyprus and two banking subsidiaries in Germany and Russia. The Bank invests in equity participations of 25 companies operating mainly in industry and the financial sector.

Address : İş Kuleleri, 34330, Levent / İstanbul

Phone : +90 212 316 00 00

Fax : +90 212 316 09 00

Website : www.isbank.com.tr

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The accompanying separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB") except IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures.

The Bank maintains its book of accounts and prepares its statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. The separate financial statements are presented in Turkish Lira (TL), which is the Bank's functional currency. For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made, which mainly comprise the effects of deferred taxation and reserve for impairment of loans.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost basis except for the following;

- derivative financial instruments are measured at fair value
- financial assets at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

2.3 Functional and Presentation Currency

These separate financial statements are presented in TL, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

2.4 Use of Estimates and Judgements

The preparation of the separate financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the statement of comprehensive income and in the carrying value of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the separate financial statements is included in the following notes:

- Note 9 – loans and advances to customers
- Note 10 – investment in equity participations
- Note 12 – measurement of properties, plant and equipment
- Note 13 – measurement of intangible assets
- Note 17 – funds borrowed
- Note 19 – income taxes
- Notes 20 and 28– provisions and contingencies
- Note 30 – risk management

2.5 Reclassification of Comparative Information

If the presentation or classification of the financial statements is changed during the year, in order to maintain consistency, financial statements of prior periods are also reclassified in line with the related changes.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES

The principal accounting policies adopted for the financial statements are as follows:

3.1 Foreign Currency

a) Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Bank enters into forward contracts, swaps and options (see below for details of the Bank's accounting policies in respect of such derivative financial instruments).

b) Foreign operations

For the purpose of presenting the accompanying separate financial statements, the assets and liabilities of the Bank's foreign branches are expressed in TL using exchange rates prevailing on the reporting date. Income and expenses of foreign branches are translated on a transactional basis. The exchange rate at the dates of transaction is used to translate the income and expense in to the Turkish Lira.

Foreign currency differences are recognised in other comprehensive income.

The separate financial statements are presented in TL, which is the functional currency of the Bank.

As at 31 December 2013 and 31 December 2012 foreign currency assets and liabilities of the Bank are mainly in US Dollar, Euro and GBP. The TL/US Dollar, TL/Euro and TL/GBP exchange rates as at 31 December 2013 and for the year ended 31 December 2012 are as follows:

	31 December 2013		31 December 2012	
	Year end	Average	Year end	Average
1 US Dollar	2,1125	1,8843	1,7850	1,7860
1 Euro	2,9068	2,5032	2,3526	2,2951
1 GBP	3,4856	2,9490	2,8917	2,8292

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.2 Interest

Interest income and expenses are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income on overdue loans is recognised on a cash basis when collected.

3.3 Fee and Commission

Fee and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Other fees and commission income, including portfolio fees, management advisory fees, service fees and asset management fees related to investment funds are recognised on a straight-line basis over the service period.

3.4 Net Trading Income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes, except for the unrealised gains of available for sale securities.

3.5 Dividends

Dividend income from investments is recognised when the right to receive income has been established.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities

3.6.1 Recognition

Financial assets and financial liabilities are recognised on the Bank's separate statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

3.6.2 Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset, and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank derecognises financial liabilities when its contractual obligations are discharged or cancelled or expire.

3.6.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.6.4 Amortised Cost Measurement

Amortised cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities (continued)

3.6.5 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortised cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparisons with similar financial instruments that do have active markets. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would not differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable.

Derivatives: Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities (continued)

3.6.5 Fair Value Measurement (continued)

Changes in assumptions about these factors could affect reported fair value of financial instruments.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency swap transactions are determined by comparing forward rates with contractual forward rates discounted to the reporting date with the current market rates. The resulting gain or loss is reflected to the statement of comprehensive income. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used. Changes in assumptions about these factors could affect reported fair value of financial instruments.

"Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortised cost using the effective interest method less any impairment in value. Gains and losses are recognised in comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest earned on such loans and receivables is reported as interest income.

The major portions of loans are short-term and have interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with the prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

Securities under repurchase agreements: The carrying amount is a reasonable estimate of fair value.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities (continued)

3.6.6 Identification and Measurement of Impairment

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

a) Assets carried at amortised cost

In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realised from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities (continued)

3.6.6 Identification and Measurement of Impairment (continued)

a) *Assets carried at amortised cost (continued)*

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in comprehensive income.

b) *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its recoverable amount.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.6 Financial Assets and Financial Liabilities (continued)

3.6.6 Identification and Measurement of Impairment (continued)

c) *Assets carried at fair value*

Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available for sale are not reversed through statement of comprehensive income.

Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, unrestricted balances held with central banks and highly liquid financial original maturities of less than three months, which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the separate statement of financial position.

3.8 Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the separate statement of financial position with transaction costs taken directly to separate statement of comprehensive income. All changes in fair value are recognised as part of net trading income in separate statement of comprehensive income. The Bank did not reclassify any trading assets and liabilities subsequent to their initial recognition.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.9 Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortised cost using the effective interest method less any impairment in value. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest earned on such loans and receivables is reported as interest income.

3.10 Investment Securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

3.10.1 Held to Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and put restrictions on the Bank for classifying investment securities as held-to-maturity for the current and the following two financial years. There has been no tainting in the held-to-maturity portfolio during 2013 and 2012.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment in value.

Interest earned whilst holding held to maturity securities is reported as interest income.

When financial assets are transferred to held-to-maturity category from available-for-sale portfolio, as a result of a change in intention, the fair value carrying amount of the related financial assets becomes the new amortised cost. Any previous gain or losses on those assets that have been recognised in equity are amortised over the remaining life of the held-to-maturity investments using the effective interest method.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.10 Investment Securities (continued)

3.10.2 Available for Sale Financial Assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial recognition, available for sale financial assets are measured at fair value. Quoted equity securities and quoted certain debt securities held by the Bank that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payments is established. The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Gains or losses on remeasurement to fair value are recognised as a separate component of equity until the instrument is derecognised, or until the instrument is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the separate statement of comprehensive income, however interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

3.11 Investments in Equity Participations

In the accompanying financial statements, equity participations are accounted as securities available for sale, in accordance with IAS 39, and are accounted for using the policy set out in above. In cases where there is evidence of permanent impairment in value, recorded amounts are reduced by a provision for such impairment, charged to the separate statement of comprehensive income.

3.12 Repurchase and Resale Transactions

The Bank enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognised in the separate statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included in obligations under repurchase agreements. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using the effective interest method.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.13 Commitments and Contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

3.14 Derivative Financial Instruments

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the statement of financial position from a variety of activities including placements, lending and securities investment. These transactions do not qualify for hedge accounting under the relevant provisions of IAS 39 "Financial Instruments Recognition and Measurement" and they are treated as derivatives held for trading. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealised gains and losses on these instruments are included in the statement of comprehensive income.

3.15 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Buildings were valued at expert assessments of their value, made by independent valuation specialists. Where these values are below indexed cost, a provision was made (charged against statement of comprehensive income) to reduce the carrying amount to the valuation.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within the other operating income or other operating expense in profit or loss.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.15 Property and Equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognised in the statement of comprehensive income.

a) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

▪ buildings	4 - 50 years
▪ vehicles	5 years
▪ other tangible assets	2 - 50 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

c) Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.16 Intangible Assets

Intangible assets acquired separately from a business are capitalised at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

There is no impairment recorded related to intangible assets. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Bank amortises its intangible assets consisting primarily of software on a straight-line basis over the estimated useful lives of 1 to 3 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

3.17 Non-current Assets Held for Sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Bank) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.18 Leases

The Bank as Lessee

a) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the separate statement of comprehensive income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

b) Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the separate statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the separate statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

3.19 Impairment of Non-financial Assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the separate statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.19 Impairment of Non-financial Assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.20 Provisions

A provision is recognised when the Bank has a present obligation as a result of a past event and it is probable that the Bank will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Employee Benefits

a) Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his / her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

b) Pension fund transferable to Social Security Institution

Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognised by an official decree, providing all qualified Bank employees with pension and post-retirement benefits.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.21 Employee Benefits (continued)

b) Pension fund transferable to Social Security Institution (continued)

As explained in Note 21, the Bank expects to transfer the obligation of the Fund to Social Security Institution. This transfer will be a settlement of the Fund's obligation. Final legislation establishing the terms for such transfer was enacted on 8 May 2008. Although the settlement will not be recognised until the transfer is made, the Bank believes that it is more appropriate to measure the obligation at 31 December 2013 as the value of the payment that would need to be made to Social Security Institution to settle the obligation at the date of the statement of financial position in accordance with the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees". The pension disclosures set out in Note 21, therefore reflect the actuarial assumptions and mortality tables specified in the new law, including a discount rate of 9.8%. The pension benefits transferable to Social Security Institution are calculated annually by an independent actuary, who is registered with the Undersecretariat of the Treasury. According to revised IAS 19, the actuarial gains and losses occurred after 1 January 2013 is recognized under equity.

c) Employment termination benefits

In accordance with the existing labour law in Turkey and union agreements, the Bank is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum of pay ceiling announced by the Government per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the separate financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 21) in the calculation of the retirement pay provision.

3.22 Taxation and Deferred Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.22 Taxation and Deferred Taxes (continued)

b) Deferred tax

Deferred tax is recognised 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, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

c) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.23 Business and Geographical Segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance.

a) Business segments

The Bank's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking. The Bank provides services to the large corporations, SMEs and other trading companies (excluding real trading individuals) within the course of its corporate and commercial operations through various financial media. 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 being provided for the aforementioned customer segments.

Services are being provided to individuals, individual merchants and non-commercial corporations and institutions within the context of "Retail Banking". The requirements of this customer segment are met by performing banking services 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. For the private banking category, any kind of financial and cash management services are provided for individuals within the high-income group.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as security trading, money market transactions, spot and instalment based TL and foreign currency trading, and derivative transactions such as forward, swap, futures and options, as well as syndication and securitisation.

b) Geographical segments

The Bank's operations are mainly located in Turkey. The results of the members of the Bank outside Turkey are not material in the accompanying financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. ACCOUNTING POLICIES (continued)

3.24 New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these separate financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than other comprehensive income, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The amendments will be effective for annual periods beginning on or after 1 January 2018. The Bank has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. The Bank is still evaluating the potential effect of the adoption of the amendments to IAS 32.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash balances – Turkish Lira	1,338,201	1,063,603
Cash balances – Foreign Currency	814,128	594,193
Precious metal	0	0
Other	6	242
Total cash and cash equivalents	<u>2,152,335</u>	<u>1,658,038</u>

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash and cash equivalents	2,152,335	1,658,038
Loans and advances to banks (with original maturity of less than 3 months)	1,386,845	1,287,370
Unrestricted balances with the Central Bank	6,001,337	2,967,978
Money market placements	0	0
Total for cash flow purpose	<u>9,540,517</u>	<u>5,913,386</u>

5. BALANCES WITH THE CENTRAL BANK

	<u>31 December 2013</u>	<u>31 December 2012</u>
Demand deposits – Turkish Lira	3,884,914	1,530,312
Demand deposits – Foreign currency	2,116,423	1,437,666
Total unrestricted balances with the Central Bank	<u>6,001,337</u>	<u>2,967,978</u>
Reserve deposits – Foreign currency	14,806,381	11,231,273
Total balances with the Central Bank	<u>20,807,718</u>	<u>14,199,251</u>

According to The Communiqué On Reserve Requirements, No. 2013/15 based on Article 40-II of The Law on the Central Bank of the Republic of Turkey No.1211 as amended by Banking Law No. 5411, dated 19 October 2005, banks are obliged to maintain required reserves at the Central Bank for their liabilities. Deposits subject to reserve requirement include the deposits of real and legal persons, interbank deposits (excluding domestic interbank deposits) and the deposits collected in Turkey by the banks on behalf of their branches abroad. The interest rates applied to reserve deposits are zero.

Reserve deposits represent the minimum deposits maintained within the Central Bank of Turkey calculated on the basis of the TL and foreign currency liabilities taken, at the rates determined by the Central Bank of Turkey. 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 foreign currency deposits and between 6%-13% for other foreign currency liabilities.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***6. LOANS AND ADVANCES TO BANKS**

	31 December 2013	31 December 2012
DOMESTIC BANKS		
Demand deposits – Turkish Lira	14	11
Demand deposits – Foreign currency	15,140	12,671
Time deposits – Turkish Lira	15,324	9,135
Time deposits – Foreign currency	519,678	267,217
	550,156	289,034
FOREIGN BANKS		
Demand deposits – Turkish Lira	99,864	94,991
Demand deposits – Foreign currency	537,300	603,346
Time deposits – Foreign currency	340,290	447,475
	977,454	1,145,812
Placements at money markets	-	-
Total loans and advances to banks	1,527,610	1,434,846

For cash flow purposes, the bank balances having original maturity of less than 3 months were classified as cash and cash equivalents. These balances are amounting to TL 1,386,845 as at 31 December 2013.

All the time deposits above are short-term and mature within one year. The foreign currency short-term time deposits earn interest at rates ranging from 0.25% to 5.00% per annum.

Deposits include TL 108,441 placements and TL 82,220 reserve deposits in the Central Bank of Turkish Republic of Northern Cyprus.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

7. INVESTMENT SECURITIES

	31 December 2013			31 December 2012		
	Cost	Accrued Interest/Fair Value Difference	Carrying Value	Cost	Accrued Interest/Fair Value Difference	Carrying Value
<i>a) Trading Investment Securities</i>						
Government bonds in TL	66,223	1,428	67,651	30,795	768	31,563
Corporate bonds	1,086	5	1,091	900	6	906
Treasury bills in TL	-	-	-	-	-	-
Government bonds in FC	-	-	-	-	-	-
Eurobonds	5,869	32	5,901	4,878	100	4,978
Repurchase Agreements	794,752	21,588	816,340	682,710	34,460	717,170
Equity shares	2	-	2	56	-	56
	867,932	23,053	890,985	719,339	35,334	754,673
<i>b) Available for Sale Investment Securities</i>						
Government bonds in TL	9,031,861	244,977	9,276,838	12,615,395	1,011,252	13,626,647
Government bonds in FC	-	-	-	-	-	-
Eurobonds	1,678,158	30,906	1,709,064	1,948,989	134,603	2,083,592
Corporate bonds	662,442	5,943	668,385	1,002,147	7,998	1,010,145
Repurchase agreements	16,223,492	397,964	16,621,456	8,911,998	651,104	9,563,102
Investment funds participation certificates	44,002	-	44,002	48,333	-	48,333
	27,639,955	679,790	28,319,745	24,526,862	1,804,957	26,331,819
<i>c) Held to Maturity Investment Securities</i>						
Government bonds in TL	1,829,226	281,896	2,111,122	5,894,018	842,945	6,736,963
Repurchase agreements	4,386,804	1,105,890	5,492,694	3,331,599	869,085	4,200,684
Foreign governments bonds in FC	15,657	41	15,698	8,415	26	8,441
Foreign governments bonds in TL	7,729	205	7,934	6,844	226	7,070
	6,239,416	1,388,032	7,627,448	9,240,876	1,712,282	10,953,158
	34,747,303	2,090,875	36,838,178	34,487,077	3,552,573	38,039,650

Carrying value of investment securities given as collateral under repurchase agreements is TL 22,930,490. Related liabilities are disclosed in note 16.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***7. INVESTMENT SECURITIES (continued)**

The book value of TL Government bonds and Treasury bills can be compared to fair value at 31 December 2013 and 31 December 2012 as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Government bonds and treasury bills	10,927,310	18,540,208
Accrued interest	528,301	1,854,965
Total book value	11,455,611	20,395,173
Fair value of above securities	17,053,563	25,380,045

Interest rates on government bonds and treasury bills with fixed interest rates vary between 5.76%-9.97% (31 December 2012: 7.16%-16.00%).

Foreign currency securities are mainly Republic of Turkey bonds denominated in US Dollar and Euro. Interest rates vary between 1.62 %-6.25% for US Dollar and 4.35%-6.50% for Euro. The maturities range from 2014 to 2043.

The following table summarises securities that were deposited as collaterals with respect to various banking transactions:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Nominal Value</u>	<u>Carrying Amount</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Liquidity Requirement:				
Interbank market	21,000	21,562	21,000	21,511
Foreign currency market	20,000	20,535	49,900	53,837
İstanbul Stock Exchange	832,750	893,710	709,850	733,884
TCMB guarantee	132,764	175,140	723,551	913,825
Derivatives exchange market	12,000	12,321	12,000	12,292
Guarantee given borrowing funding loans	2,096,679	2,090,837	756,815	781,548
Guarantee given for Export Finance Intermediary Loan (EFIL)	1,270,464	1,375,873	998,830	1,168,366
	<u>4,385,657</u>	<u>4,589,978</u>	<u>3,271,946</u>	<u>3,685,263</u>

The Bank has not made reclassification between investment securities portfolio as at 31 December 2013 and 31 December 2012.

The movement in available-for-sale investment securities is summarised as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Balance at 1 January	26,331,819	28,639,226
Additions	11,765,534	13,490,340
Disposals (sale and redemption)	(8,612,748)	(16,278,646)
Change in interest accrual	(2,322,202)	1,001,250
Exchange rate differences	1,157,342	(520,351)
Balance at 31 December	<u>28,319,745</u>	<u>26,331,819</u>

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***8. DERIVATIVE FINANCIAL INSTRUMENTS**

The Bank's derivative transactions are predominantly foreign currency and interest rate swaps, currency options and forward currency transactions.

	31 December 2013		31 December 2012	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Derivatives held-for-trading:				
Forward foreign exchange contracts	117,467	174,216	75,037	56,048
Currency swaps	560,123	371,516	37,823	35,397
Interest rate swaps	173,181	220,288	215,024	589,422
Currency options	113,919	122,317	36,340	36,820
Interest rate options	3,401	3,446	2,670	2,635
Cross currency swaps	341,349	86,887	248,529	15,590
Commodity swaps	3,133	2,852	731	675
Other swaps	-	-	2,509	697
	1,312,573	981,522	618,663	737,284

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***9. LOANS AND ADVANCES TO CUSTOMERS**

	31 December 2013	31 December 2012
Short Term Loans		
Discount and purchase bills	25,521	13,159
Export loans non-guaranteed	784,500	1,300,508
Guaranteed export loans	4,222,591	3,764,945
Other loans non-guaranteed	12,923,470	12,717,050
Other guaranteed loans	17,232,931	15,840,489
Loans given to financial sector	2,598,577	2,288,189
Loans given to foreign institutions	480,246	443,055
Domestic precious metals loan	66,156	45,068
Indemnified non cash loans	9,253	15,035
	38,343,245	36,427,498
Medium and Long Term Loans		
Guaranteed other investment and operating loans	72,030,151	52,434,434
Non-guaranteed loans	20,135,896	15,061,771
Loans given to financial sector	595,697	321,795
Loans given to foreign institutions	1,370,432	975,370
	94,132,176	68,793,370
Interest accrual	1,876,178	1,116,758
Total Performing Loans	134,351,599	106,337,626
Non-performing loans	2,244,653	2,040,442
Total Loans	136,596,252	108,378,068
<i>Less: Specific reserve for impairment</i>	(1,243,153)	(1,248,135)
<i>Less: Portfolio reserve for impairment</i>	(1,190,252)	(1,048,762)
Total Loans	134,162,847	106,081,171
	31 December 2013	31 December 2012
Movements in the non-performing loans:		
As at 1 January	2,040,442	2,044,963
Additions to non-performing loans	1,558,587	1,168,330
Recoveries	(1,134,803)	(822,913)
Loans written-off during the year	(219,573)	(349,938)
Non-performing loans at the end of the year	2,244,653	2,040,442

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***9. LOANS AND ADVANCES TO CUSTOMERS (continued)**

	31 December 2013	31 December 2012
Movements in the reserve for possible loan losses:		
As at 1 January	2,296,897	2,691,384
Provision set during the year	839,904	616,105
Collection and recoveries	(585,488)	(653,519)
Transfer from other provision accounts	-	(15)
Effect of change in foreign exchange rate	15,183	2,317
Loans written-off during the year(*)	(133,091)	(359,375)
Reserve at the end of the year	2,433,405	2,296,897

(*) In the current period, a portion of non-performing loans sold to LBT Varlık Yönetim A.Ş. and Girişim Varlık Yönetim A.Ş.

Set out below is an analysis of loans by sectoral distribution:

a) Performing Cash Loans

	31 December 2013		31 December 2012	
	Amount	(%)	Amount	(%)
Agricultural	1,758,117	1,31	1,204,530	1,13
Farming and raising livestock	1,253,469	0,93	938,930	0,88
Forestry	211,338	0,16	146,821	0,14
Fishing	293,310	0,22	118,779	0,11
Industry	33,747,676	25,12	27,310,087	25,68
Mining	1,149,539	0,86	883,119	0,83
Production	23,780,980	17,70	20,983,038	19,73
Electric, gas, and water	8,817,157	6,56	5,443,930	5,12
Construction	9,900,476	7,37	6,185,235	5,82
Services	48,025,823	35,75	39,238,877	36,90
Wholesale and retail trade	19,979,947	14,87	16,388,628	15,41
Hotel, food and beverage services	3,566,214	2,65	2,633,852	2,48
Transportation and telecommunication	8,462,787	6,30	7,499,436	7,05
Financial institutions	4,791,189	3,57	4,235,502	3,98
Real estate and renting services	6,788,172	5,05	5,042,053	4,74
Self-employment services	2,801,422	2,09	2,297,389	2,16
Education services	713,798	0,53	431,795	0,41
Health and social services	922,294	0,69	710,222	0,67
Other (*)	40,919,507	30,46	32,398,897	30,47
	134,351,599	100,00	106,337,626	100,00

(*) Interest income accruals are included in the "Other" item above.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***9. LOANS AND ADVANCES TO CUSTOMERS (continued)****b) Non-Cash Loans**

	31 December 2013		31 December 2012	
	Amount	(%)	Amount	(%)
Agricultural	158,210	0,42	158,397	0,55
Farming and raising livestock	99,343	0,26	100,773	0,35
Forestry	54,595	0,14	53,331	0,19
Fishing	4,272	0,01	4,293	0,01
Industry	17,349,567	45,64	13,113,706	45,82
Mining	216,086	0,57	266,130	0,93
Production	11,868,656	31,22	9,851,393	34,42
Electric, gas, and water	5,264,825	13,85	2,996,183	10,47
Construction	5,746,551	15,12	4,124,857	14,41
Services	12,296,522	32,35	9,488,712	33,15
Wholesale and retail trade	6,779,143	17,83	5,128,622	17,92
Hotel, food and beverage services	183,318	0,48	134,505	0,47
Transportation and telecommunication	1,947,666	5,12	1,384,674	4,84
Financial institutions	1,303,941	3,43	1,633,042	5,71
Real estate and renting services	1,254,728	3,30	523,730	1,83
Self-employment services	640,546	1,69	593,482	2,07
Education services	27,320	0,07	26,198	0,09
Health and social services	159,860	0,42	64,459	0,22
Other	2,461,264	6,47	1,735,940	6,07
Total	38,012,114	100,00	28,621,612	100,00

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

10. INVESTMENTS IN EQUITY PARTICIPATIONS

	<u>Indirect Participation Rate (%)</u>	<u>Direct Participation Rate (%)</u>	<u>31 December 2013 Cost / Market Value</u>	<u>Indirect Participation Rate (%)</u>	<u>Direct Participation Rate (%)</u>	<u>31 December 2012 Cost / Market Value</u>
GLASS INDUSTRY						
T.Şişe ve Cam Fab. A.Ş.	65,51	65,47	2,756,550	68,06	65,47	2,887,314
INSURANCE COMPANIES						
Milli Reasürans T.A.Ş. (*)	76,75	76,64	449,245	76,75	76,64	449,245
Anadolu Hayat Emeklilik A.Ş.	72,45	62,00	1,143,590	71,56	62,00	781,200
BANKS						
Arap-Türk Bankası A.Ş. (*)	20,58	20,58	85,295	20,58	20,58	85,295
CJSC Isbank(*)	100,00	100,00	130,366	100,00	100,00	130,366
İşbank AG (*)	100,00	100,00	285,945	100,00	100,00	231,489
Türkiye Sınai Kalkınma Bankası A.Ş.	48,85	40,52	953,372	48,80	40,52	1,025,086
FINANCIAL INSTITUTIONS						
İş Finansal Kiralama A.Ş.	42,72	27,79	112,051	42,71	27,79	110,282
İş Yatırım Menkul Değerler A.Ş.	67,93	65,65	260,931	67,93	65,65	309,817
İş Gayrimenkul Yat. Ortaklığı A.Ş.	53,10	42,23	359,208	52,83	42,23	382,649
Bankalararası Kart Merkezi A.Ş. (*)	9,98	9,98	1,986	9,98	9,98	1,986
Kredi Kayıt Bürosu A.Ş. (*)	9,09	9,09	1,685	9,09	9,09	1,685
OTHERS						
Mipaş Müm.İt.İh.ve Paz.A.Ş.(**)	99,92	-	-	100,00	99,98	44,944
Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş. (*) (***)	-	-	-	99,95	99,89	142,196
İş Net Elekt., Bilgi Ür. Dağ. Tic. ve İl. Hiz. A.Ş. (*)	98,10	94,65	39,119	98,05	94,65	36,753
Bayek Tedavi Sağlık Hiz.ve İşletmeciliği A.Ş.(**)	95,09	-	-	95,05	86,60	224,649
Avea İletişim Hizmetleri A.Ş. (*)	9,22	7,44	813,950	9,57	7,44	813,949
Camiş Yatırım Holding A.Ş. (*)	100,00	99,97	88,472	100,00	99,97	88,472
Trakya Yatırım Holding A.Ş. (*)	88,05	65,34	284,713	88,93	65,34	284,713
Nemtaş Nemrut Liman İşletmeleri A.Ş. (*)	99,92	99,81	331,556	99,92	99,81	248,709
İş Merkezleri Yönetim ve İletişim A.Ş. (*)	99,31	86,33	1,696	99,30	86,33	1,696
Kültür Yayınları İş-Türk Ltd Şti (*)	99,57	99,17	5,556	99,53	99,17	5,556
OTHER			<u>28,085</u>			<u>15,084</u>
Specific allowance for impairment against investments in equity participations			<u>(354,434)</u>			<u>(588,097)</u>
			<u>7,778,938</u>			<u>7,715,038</u>

(*) These investments in equity participations do not have a quoted market price in an active market. Since other methods to reasonably estimate their values would be inappropriate and impractical, they are stated at cost, restated for the effects of inflation in TL units current at 31 December 2005.

(**) In the current period, Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. ve Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş. has been sold to Nemtaş Nemrut Liman İşletmeleri A.Ş.

(***) Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San Tic A.Ş has been classified under 'non-current assets held for sale'.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***10. INVESTMENTS IN EQUITY PARTICIPATIONS (continued)**

There are not any additional impairment losses for the investment in equity participations as at 31 December 2013, The specific allowance for impairment against investments in equity participations comprised the following:

	31 December 2013	31 December 2012
Trakya Yatırım Holding A.Ş.	184,972	184,972
Avea İletişim Hizmetleri A.Ş.	159,001	159,001
Antgıda Gıda Tarım Turizm En. ve Demir Çelik San. Tic. A.Ş.	-	121,819
Bayek Tedavi Sağlık Hiz. ve İşletmeciliği A.Ş.	-	98,247
Mipaş Mümessillik İthalat İhracaat ve Paz, A.Ş.	-	13,597
Other	10,461	10,461
Total	354,434	588,097

11. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2013	31 December 2012
Balance at 1 January	72,970	59,803
Additions (*)	10,038	1,012
Disposals	(60,893)	(65,548)
Transfers	51,583	79,017
Depreciation	(1,141)	(1,314)
Balance at 31 December	72,557	72,970

(*) Include the balance of Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San Tic A.Ş which has been classified as held for sale.

The Bank's assets classified as assets held for sale comprises real estates acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from the regulators. The related real estates subject to sale are announced on the Bank's website. Announcements are made by using newspaper ads and similar media.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***12. PROPERTY AND EQUIPMENT**

	Land	Buildings	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
Balance at 1 January 2013	148,871	2,984,755	13,538	1,489,099	5,624	4,641,887
Additions	38,414	116,752	2,597	205,923	13,219	376,905
Disposals	(14,535)	(205,762)	(1,023)	(24,068)	(420)	(245,808)
(Impairment) / reversal	45,628	-	-	-	-	45,628
Exchange rate difference	-	-	25	1,850	-	1,875
Transfers	8,232	(53,553)	-	-	(6,262)	(51,583)
Balance at 31 December 2013	226,610	2,842,192	15,137	1,672,804	12,161	4,768,904
Depreciation						
Balance at 1 January 2013	-	(1,866,385)	(11,280)	(943,314)	-	(2,820,979)
Depreciation for the year	-	(46,925)	(1,214)	(157,777)	-	(205,916)
Impairment	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Exchange rate difference	-	-	(17)	(1,012)	-	(1,029)
Disposals	-	76,736	977	12,913	-	90,626
Balance at 31 December 2013	-	(1,836,574)	(11,534)	(1,089,190)	-	(2,937,298)
Carrying amounts at 31 December 2013	226,610	1,005,618	3,603	583,614	12,161	1,831,606

As at 31 December 2013, the carrying amount of the Bank's property and equipment includes assets purchased through finance lease amounting to TL 57 (31 December 2012: TL 466). The Bank does not purchase assets through finance lease in the current period. The current period additions include property and equipment obtained as collection from non-performing loans amounting to TL 170,421 (31 December 2012: TL 159,137). Total impairment losses on fixed assets to TL 210,031 (31 December 2012: TL 255,661).

There were no capitalised borrowing costs related to the acquisition of property and equipment during the current year (31 December 2012: None).

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***12. PROPERTY AND EQUIPMENT (continued)**

	Land	Buildings	Vehicles	Other fixed assets	Construction in progress	Total
Cost						
Balance at 1 January 2012	128,402	3,065,026	15,461	1,337,556	8,767	4,555,212
Additions	62,558	108,443	830	175,974	12,834	360,639
Disposals	(44,675)	(123,038)	(2,753)	(24,431)	(7,935)	(202,832)
(Impairment) / reversal	2,586	5,299	-	-	-	7,885
Transfers	-	(70,975)	-	-	(8,042)	(79,017)
Balance at 31 December 2012	148,871	2,984,755	13,538	1,489,099	5,624	4,641,887
Depreciation						
Balance at 1 January 2012	-	(1,863,913)	(12,659)	(818,806)	-	(2,695,378)
Depreciation for the year	-	(49,992)	(1,373)	(134,015)	-	(185,380)
Impairment	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposals	-	47,520	2,752	9,507	-	59,779
Balance at 31 December 2012	-	(1,866,385)	(11,280)	(943,314)	-	(2,820,979)
Carrying amounts at 31 December 2012	148,871	1,118,370	2,258	545,785	5,624	1,820,908

As at 31 December 2012, the carrying amount of the Bank's property and equipment includes assets purchased through finance lease amounting to TL 466 (31 December 2011: TL 5,544). The Bank does not purchase assets through finance lease in the current period. The current period additions include property and equipment obtained as collection from non-performing loans amounting to TL 159,137 (31 December 2011: TL 44,811). Total impairment losses on fixed assets to TL 255,661 (31 December 2011: TL 263,545).

There were no capitalised borrowing costs related to the acquisition of property and equipment during the current year (31 December 2011: None).

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

13. INTANGIBLE ASSETS

Intangible assets comprise softwares, The movements in intangible assets and related accumulated amortisation during the year ended 31 December were as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Cost</u>		
Balance at 1 January	366,663	256,885
Additions	193,377	109,778
Disposals	(20,062)	-
Balance at 31 December	<u>539,978</u>	<u>366,663</u>
<u>Amortisation</u>		
Balance at 1 January	(261,756)	(193,208)
Amortisation for the year	(95,708)	(68,548)
Disposals	13,445	-
Balance at 31 December	<u>(344,019)</u>	<u>(261,756)</u>
Carrying amounts at 31 December	<u>195,959</u>	<u>104,907</u>

There were no capitalised borrowing costs related to the acquisition of software during the year (31 December 2012: None).

14. OTHER ASSETS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Sundry debtors	1,366,737	1,012,513
Prepaid commission and expenses	211,088	177,403
Receivables from capital market transactions	7,375	7,912
Advances taken	3,565	48,321
Other	113,932	117,917
Total	<u>1,702,697</u>	<u>1,364,066</u>
	<u>31 December 2013</u>	<u>31 December 2012</u>
Sundry debtors		
Deposits and guarantees given	329,787	232,589
Receivables from derivative transactions	537,604	306,788
Credit card receivables	402,697	366,901
Receivables from banking services	52,631	29,600
Receivables from personnel	9,110	10,016
Other sundry debtors	34,908	66,619
Total	<u>1,366,737</u>	<u>1,012,513</u>

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

15. DEPOSITS

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deposits from banks		
Payable on demand	297,512	244,191
Term deposits	3,681,898	2,801,760
	<u>3,979,410</u>	<u>3,045,951</u>

As at 31 December 2013, deposits from banks include TL accounts amounting to TL 1,293,884 (31 December 2012: TL 982,600) and foreign currency accounts amounting to TL 2,685,526 (31 December 2012: TL 2,063,351) in total. As at 31 December 2013, interest rates applicable to TL bank deposits and foreign currency bank deposits vary within ranges of 3.75%-9.35% and 0.06%-2.75% (31 December 2012: 4.00%-11.20% and 0.10%-2.95%), respectively.

Deposits from customers	31 December 2013			31 December 2012
	<u>Demand</u>	<u>Term</u>	<u>Total</u>	<u>Total</u>
Foreign currency deposits	7,974,367	40,639,094	48,613,461	35,451,482
Saving deposits Commercial	7,385,973	37,988,404	45,374,377	41,453,128
deposits Public institutions and other deposits	6,165,405	9,103,114	15,268,519	14,199,807
	3,799,838	3,939,160	7,738,998	11,233,066
	<u>25,325,583</u>	<u>91,669,772</u>	<u>116,995,355</u>	<u>102,337,483</u>

As at 31 December 2013 interest rates applicable to TL deposits and foreign currency deposits vary within ranges of 1.00%-17.50% and 0.10%-5.50% (31 December 2012: 1.00%-11.50% and 0.10%-7%), respectively.

16. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. The securities sold under repurchase agreements and corresponding obligations are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Obligations under repurchase agreements	20,916,278	13,519,099
Total	<u>20,916,278</u>	<u>13,519,099</u>

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 31 December 2013, the maturities of the obligations varied from two days to six years (31 December 2012: two days to seven years) and interest rates varied between 0.25%-7.75% (31 December 2012: 0.29%-9.35%). The underlying securities for obligations under repurchase agreements are given in Note 7.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***17. FUNDS BORROWED**

	31 December 2013	31 December 2012
Loans and advances from other domestic banks and institutions	641,149	596,083
Loans and advances from foreign banks and institutions	15,157,782	10,056,866
Interest accrual	111,015	83,858
Total	15,909,946	10,736,807

Based on days to next payments, an analysis of maturities of funds borrowed is shown below:

31 December 2013					
Amount			Effective interest rate		
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	
Short term					
Fixed rate	1,639,022	1,191,573	%4.25-%9.46	USD %1.37-%2.41	
	-	7,704,025	-	EUR %0.61-%4.35 USD %0.41-%4.91	
Floating rate					
Long term					
Fixed rate	12,020	1,186,559	%5-%5,75	EUR %2,75 USD %1,27-%4,60 EUR %1,57-%5,51 USD %1,10-%3,64	
Floating rate	-	4,176,747	-		
Total	1,651,042	14,258,904			
31 December 2012					
Amount			Effective interest rate		
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	
Short term					
Fixed rate	882,294	574,047	5,75%-9,70%	USD 1,93%-3,40%	
	-	5,842,814	-	EUR 0,96%-3,99% USD 0,46%-4,47%	
Floating rate					
Long term					
Fixed rate	6,012	721,896	6,75%-9,25%	USD 1,25%-4,56% EUR 1,62%-3,82% USD 0,47%-4,52%	
Floating rate	-	2,709,743	-		
Total	888,306	9,848,500			

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***17. FUNDS BORROWED (continued)**

Borrowings from foreign banks and institutions include syndicated loans, securitization loans and other borrowings. Details of syndicated loans and securitizations as at 31 December 2013 are as follows:

Principal	Maturity
\$16 Million (1)	November 2014
\$6 Million (2)	January 2014
\$4 Million (2)	January 2014
\$13 Million (3)	May 2014
\$12 Million (3)	May 2014
\$18 Million (3)	May 2014
\$32 Million (4)	February 2015
\$5 Million (4)	February 2014
\$441 Million (5)	May 2014
€31 Million (5)	May 2014
\$75 Million (6)	November 2016
€40 Million (6)	November 2016
€60 Million (6)	November 2016
€60 Million (6)	November 2018
\$175 Million (7)	August 2017
\$50 Million (7)	August 2017
€50 Million (7)	August 2024
€75 Million (7)	August 2024
\$391 Million (8)	September 2014
€52 Million (8)	September 2014
\$50 Million (9)	November 2018
€60 Million (9)	November 2018
€75 Million (9)	November 2018
€50 Million (9)	November 2025

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***17. FUNDS BORROWED (continued)**

Details of syndicated and securitized loans as at 31 December 2012 are as follows:

Principal	Maturity
\$32 Million(1)	November 2014
\$25 Million	May 2013
\$42 Million (2)	January 2014
\$29Million (2)	January 2014
\$39 Million (3)	May 2014
\$34 Million (3)	May 2014
\$54 Million (3)	May 2014
\$57 Million (3)	August 2013
\$200 Million (4)	February 2015
\$35 Million (4)	February 2014
\$241 Million	May 2013
€743 Million	May 2013
\$75 Million (6)	November 2016
€40 Million (6)	November 2016
€60 Million (6)	November 2016
€60 Million (6)	November 2018
\$175 Million (7)	August 2017
\$50 Million (7)	August 2017
€50 Million (7)	August 2024
€75 Million (7)	August 2024
\$405 Million	September 2013
€573 Million	September 2013

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

17. FUNDS BORROWED (continued)

(1) In November 2004, the Bank securitized all rights, title and interest to the USD-, Euro- or Sterling-denominated payment orders created via SWIFT MT100-category messages or similar payment orders sent or delivered through foreign depository banks under DPR program. In this securitization transaction TIB Diversified Payment Rights Finance Company issued three Series of USD-denominated floating rate notes (USD 250 million Series 2004-A Notes, USD 250 million Series 2004-B Notes and USD 100 million Series 2004-C Notes). The Series 2004-A and 2004-B have been totally repaid. The Series 2004-C Notes do not have financial guarantee. The Series 2004-C has 10 years final maturity and interest rate of Libor+1.83%.

(2) In December 2005 the Bank completed a securitization transaction based on its foreign currency denominated future credit and debit card receivables from MasterCard, Cirrus, Maestro and Visa Europe Services, Inc. TIB Card Receivables Funding Company Limited issued two Series of Dollar-denominated floating rate notes (USD 200 million Series 2005-A Notes and USD 150 million Series 2005-B Notes). The Series 2005-A Notes do not have financial guarantee and have 8 years final maturity. The Series 2005-B Notes have a financial guarantee issued by Financial Guaranty Insurance Company and 8 years final maturity. Related notes have interest rates of Libor+1.00% and Libor+0.25%, respectively.

(3) In June 2006 the Bank utilized the DPR program once again for the additional issuance of USD 800 million by TIB Diversified Payment Rights Finance Company (USD 100 million Series 2006-A Notes, USD 100 million Series 2006-B Notes, USD 150 million Series 2006-C Notes, USD 250 million Series 2006-D Notes and USD 200 million Series 2006-E Notes). The Series 2006-D and the Series 2006-E have been totally repaid. The Series 2006 B Notes and 2006-C Notes have a financial guarantee issued by Financial Security Assurance Inc. and 8 years final maturity. The Series 2006-A Notes does not have financial guarantee and has 8 years final maturity. The Series 2006-A, 2006-B and 2006-C have interest rates of Libor+0.93%, Libor+0.23% and Libor+0.16% respectively.

(4) In March 2007, the Bank utilized the DPR program once again for the additional issuance of USD 550 million by TIB Diversified Payment Rights Finance Company (USD 400 million Series 2007-A Notes, USD 150 million Series 2007-B Notes). The Series 2007-A Notes and Series 2007-B Notes do not have any financial guarantee and have 8 and 7 years final maturity, respectively. Related notes have interest rates of Libor+0.82% and Libor+0.86%, respectively.

(5) On 8 May 2013, the Bank has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 441 million and Euro 631 million, with an optional one-year extension of maturity. Related loans have interest rates of Libor+0.5% and Euribor+0.5%.

(6) In October 2011, the Bank utilized the DPR program once again for the additional issuance of EUR 160 million and USD 75 million by TIB Diversified Payment Rights Finance Company (USD 75 million Series 2011-A Notes, EUR 40 million Series 2011-B Notes, EUR 60 million Series 2011-C Notes, EUR 60 million Series 2011-D Notes). The Series 2011-A Notes, The Series 2011-B Notes and The Series 2011-D Notes have 5 years final maturity and the Series 2011-C Notes have 7 years final maturity.

(7) In June 2012, the Bank utilized the DPR program once again for the additional issuance of EUR 125 million and USD 225 million by TIB Diversified Payment Rights Finance Company (EUR 50 million Series 2012-A Notes, EUR 75 million Series 2012-B Notes, USD 175 million Series 2012-C Notes, USD 50 million Series 2012-D Notes). The Series 2012-A Notes and the Series 2012-B Notes have 12 years final maturity whereas the Series 2012-C Notes and the Series 2012-D Notes have 5 years final maturity.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

17. FUNDS BORROWED (continued)

(8) On 12 September 2013, the Bank has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 391 million and Euro 652 million, with an optional one-year extension of maturity. Related loans have interest rates of Libor+0.3% and Euribor+0.3%.

(9) In December 2013, the Bank utilized the DPR program once again for the additional issuance of EUR 185 million and USD 50 million by TIB Diversified Payment Rights Finance Company (USD 50 million Series 2013-A Notes, EUR 60 million Series 2013-B Notes, EUR 75 million Series 2013-C Notes, EUR 50 million Series 2013-D Notes). The Series 2013-A Notes, the Series 2013-B Notes and the Series 2013-C Notes have 5 years final maturity whereas the Series 2013-D Notes has 12 years final maturity.

18. DEBT SECURITIES ISSUED

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
Debt securities at amortised cost- fixed interest rate	9,738,953	6,205,050
Debt securities at amortised cost-variable interest rate	<u>341,052</u>	<u>150,859</u>
Total	<u>10,080,005</u>	<u>6,355,909</u>

Debt securities have a maturity varied from January 2014 to December 2023 with between 1.22% and 10.13% fixed and variable interest rates.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

19. TAXATION

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory corporate income tax base by adding back non-deductible expenses, and by deducting dividends received, other tax exempt income and investment incentives utilised.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 31 December 2013 is 20% (31 December 2012: 20%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

19.1. Income Withholding Tax

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st April and 25th April of the following year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate was changed to 15% in accordance with Article 15 of the Law No: 5520 commencing 23 July 2006.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax, As per the decisions no, 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no, 27130 dated 3 February 2009, certain duty rates included in the articles no, 15 and 30 of the new Corporate Tax Law no, 5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The effective tax rate has been taken as 20% in 2013 (2012: 20%).

19.2. Transfer Pricing Regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “Disguised Profit Distribution Via Transfer Pricing”, The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

19. TAXATION (continued)

19.3. Tax applications for foreign branches

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no, 41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their statements of financial position, statements of comprehensive income and accounting records used for tax calculations by an auditor authorised by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal instalments in May and October.

LONDON

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 instalments 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

There is no corporate taxation on banking profits earned and booked in Bahrain for any type of banking institutions.

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

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***19. TAXATION (continued)**

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.

a) Statement of financial position: Taxes and dues payable

	<u>31 December 2013</u>	<u>31 December 2012</u>
Taxes and dues payable other than income	214,349	190,943
Corporate tax provision	354,433	1,109,470
Corporate tax paid in advance	<u>(249,752)</u>	<u>(758,119)</u>
Corporate tax liability	104,681	351,351
Deferred tax asset	<u>(664,315)</u>	<u>(731,059)</u>
	<u>(345,285)</u>	<u>(188,765)</u>

b) Statement of comprehensive income: Provision for taxes on income

	<u>31 December 2013</u>	<u>31 December 2012</u>
Corporate and withholding taxes	363,860	1,117,517
Deferred tax benefit / charge	<u>340,319</u>	<u>(296,177)</u>
	<u>704,179</u>	<u>821,340</u>

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***19. TAXATION (continued)***c) Statement of comprehensive income: Reconciliation*

Reconciliation of the Bank's taxation for the year ended 31 December 2012 and 2011 are as follows:

	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Profit before income tax	4,269,836		4,452,967	
Income tax using the Bank's domestic tax rate	853,967	20.00	890,593	20,00
Non-deductible expenses	18,132	0.42	62,846	1.41
Dividend income	(84,994)	(1.99)	(81,006)	(1.82)
Other tax exempt income	(93,326)	(2.19)	(62,949)	(1.41)
Taxation	693,779	16.25	809,484	18.18
Withholding tax	10,400		11,856	
Taxation charge	704.179		821,340	

Deferred Taxation:

Taxes on income for the year also comprise deferred taxes. Deferred income tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability and asset are recognised when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below:

For calculation of deferred tax asset and liabilities, the rate of 20% (31 December 2012: 20%) is used.

	31 December 2013	31 December 2012
Reserve for employee severance indemnity	(67,686)	(68,441)
Short-term employee benefits	(5,303)	(4,063)
Valuation difference on financial assets and liabilities	72,148	(112,851)
Impairment on property and equipment	(42,006)	(6,282)
Provision for the pension fund	(355,168)	(355,642)
Credit card bonus and other provisions	(159,589)	(155,469)
Other	(106,711)	(28,311)
Deferred tax asset	(664,315)	(731,059)

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***19. TAXATION (continued)***Deferred Taxation: (continued)*

As at 31 December 2013 and 31 December 2012, the Bank does not have any unrecognised deferred tax asset.

Movement of net deferred tax asset can be presented as follows:

	Balance at 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2013
Reserve for employee severance indemnity	(68,441)	(7,481)	8,236	(67,686)
Short-term employee benefits	(4,063)	(1,240)		(5,303)
Valuation difference on financial assets and liabilities	(112,852)	466,801	(281,802)	72,147
Impairment on property and equipment	(6,282)	(35,724)		(42,006)
Provision for the pension fund	(355,642)	474		(355,168)
Credit card bonus and other provisions	(155,469)	(4,120)		(159,589)
Other	(28,310)	(78,400)		(106,710)
	(731,059)	340,310	(273,566)	(664,315)

	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2012
Reserve for employee severance indemnity	(47,165)	(21,276)	-	(68,441)
Short-term employee benefits	(4,128)	65	-	(4,063)
Valuation difference on financial assets and liabilities	(40,584)	(273,261)	200,993	(112,852)
Impairment on property and equipment	(52,709)	46,427	-	(6,282)
Provision for the pension fund	(267,632)	(88,010)	-	(355,642)
Credit card bonus provision	(158,215)	2,746	-	(155,469)
Other	(65,442)	37,132	-	(28,310)
	(635,875)	(296,177)	200,993	(731,059)

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

20. PROVISIONS

	<u>2013</u>	<u>2012</u>
Reserve for employee severance indemnity		
Provisions as at 1 January	342,205	235,821
Provision set during the year	57,419	44,431
Payments made during the year	(20,019)	(18,384)
Actuarial gain/(losses)	(41,171)	80,337
Provision as at the end of the year	<u>338,434</u>	<u>342,205</u>
Pension fund provision	<u>1,775,839</u>	<u>1,778,210</u>
Other provisions (see below)	<u>1,524,948</u>	<u>1,343,338</u>
Total provisions	<u>3,639,221</u>	<u>3,463,753</u>

Provision for Retirement Pay:

Under the Turkish Labour Law, the Bank entities are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to the length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum of the retirement pay ceiling announced by the Government per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the separate financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Bank arising from the retirement of the employees.

IFRS require actuarial valuation methods to be developed to estimate the Bank's obligation under defined benefit plans.

Actuarial calculations for the Bank's accrued liability have been performed by an independent valuation company. The principal actuarial assumptions used in the calculation of the total liability at the reporting dates 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%;
- Full TL 3,254.44 salary ceiling, which was effective as at 1 January 2013 was taken into account in the current year calculations;
- It is assumed that the amount of the salary ceiling will increase each year, in line with the inflation rate;
- The age of retirement is considered as the youngest age possible that an individual can retire.
- The table CSO 1980 is used for the probabilities of death for female and male employees.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

20. PROVISIONS (continued)

Provision for Other Liabilities:

Pension Fund Provision:

Türkiye İş Bankası A.Ş.'s employees are the members of Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. Methods and principles related to the transfer have been determined as per the Cabinet decision no: 2006/11345 published on 30 November 2006. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39. K. 2007/33 and dated 22 March 2007 effective from 31 March 2007.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force, the new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of the Cabinet. 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 and 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.

The above mentioned law also includes the following:

- technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

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.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Bank in accordance with the new law. The CSO 1980 mortality table, 9.8% of technical deficit interest rate and 34.5% of premium rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

20. PROVISIONS (continued)

Provision for Other Liabilities (continued):

Pension Fund Provision (continued):

On the other hand "Provisional Article 39" is added to Social Security and General Health Insurance Law numbered 5510 via Amendment to Social Security and General Health Insurance Law numbered 6283 published in the Official Gazette dated 8 March 2012 and numbered 28227. According to aforementioned amendment, while members payments which is paid for retired or died before January 2000 and entitled invalidity, old-age pension per indexed system of the Law numbered 506 and members' payments, which is paid for invalidity or old-age before January 2000 and died after this date, will be recalculated. This application will be used from the date of 1 January 2013. In this context, actuarial calculation, invalidity, elderliness or survivor's pension who take salary to the foundation mentioned calculation made considering regulation. The amount of the actual and Technical Deficit played an important role in the regulation which mentioned like increase over the previous year.

The health benefits to be paid will be considered by the Bank management due to the changes in the Social Security Institution legislation and other regulations.

Up to date, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik Yardımlaşma Sandığı Vakfı (Supplementary Pension Fund of İşbank Members), which has been founded by the Bank employees in accordance with the provisions of the Civil Code 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 adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on the Bank.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Technical discount rate	9,80%	9,80%
Premium rate	34,50%	33,50%
Mortality rates	CSO 1980 Mortality Table	CSO 1980 Mortality Table

	<u>31 December 2013</u>	<u>31 December 2012</u>
Present value of funded obligations	2,152,401	2,111,791
Fair value of plan assets	(376,562)	(333,581)
Recognised liability for defined benefit obligations	<u>1,775,839</u>	<u>1,778,210</u>

Plan assets are comprised of the following items:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Cash and cash equivalents	253,716	210,692
Government bonds, treasury bills and investment funds	96,722	96,928
Other	26,124	25,961
	<u>376,562</u>	<u>333,581</u>

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***20. PROVISIONS (continued)**Provision for Other Liabilities (continued):

Other provisions comprised the following:

	2013			
	Provision for non-cash loans	General provision	Credit card bonus provision	Other provisions(*)
Balance at 1 January	102,570	1,000,000	53,443	187,325
Provisions made during the year	69,851	-	9,465	228,595
Provisions reversed during the year	(85,675)	-	(110)	(42,101)
Transfer to other provision accounts	-	-	-	-
Effect of change in foreign exchange rate	2,225	-	-	(639)
Balance at 31 December	88,971	1,000,000	62,798	373,180

(*) TL 194,078 of the other provision is set aside in connection with the on-going lawsuits.

	2012			
	Provision for non-cash loans	General provision	Credit card bonus provision	Other provisions
Balance at 1 January	85,388	950,000	48,159	241,111
Provisions made during the year	92,111	50,000	5,775	113,066
Provisions reversed during the year	(74,211)	-	(491)	(159,421)
Transfer to other provision accounts	15	-	-	-
Effect of change in foreign exchange rate	(733)	-	-	(7,431)
Balance at 31 December	102,570	1,000,000	53,443	187,325

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

21. OTHER LIABILITIES

	<u>31 December 2013</u>	<u>31 December 2012</u>
Credit card payables to affiliated merchants	3,341,102	2,767,657
Deposits and advances taken for imports	97,948	86,884
Unclaimed wages and payables	226,000	287,500
Payable to personnel	634,048	842,218
Payables to Clearing House	129,235	52,418
Cash guarantees	471,412	408,882
Blocked money	39,282	37,071
Payables to suppliers	41,679	66,290
Payment orders	-	4,012
Payables to funds	38,191	35,002
Dividend payables	2,862,847	2,579,549
Other	311,864	343,602
	<u>8,193,608</u>	<u>7,511,085</u>

22. SUBORDINATED LIABILITIES

On 24 October 2012, the Bank issued 10-year-term bond with a nominal value of USD 1,000 million, which is like subordinated loans. The bond is issued for the individual and legal persons who are resident abroad. On 10 December 2013, the Bank issued another 10 year-term bond with a nominal value of USD 400 million, which is like subordinated loans for the individual and legal persons who are resident abroad. The aforementioned bonds have 7.85% interest rate.

23. CAPITAL AND RESERVES

The Bank's share capital is divided into Group A, Group B and Group C shares, The Bank has founder shares originally issued to shareholders who purchased 100 shares of the first TL 4,000 of paid up capital. These shares, issued to name, entitle the holders to 10% of statutory net income for each year, after transfers to legal reserves, loss contingency reserves and a first dividend to Group A, Group B and Group C shareholders of 6% on the paid up capital. Such distribution is limited to a maximum of full TL 250 Group A and Group B shares have a par value of full 1 Kuruş and Group C shares have a par value of full 4 Kuruş.

With nominal values of full 1 Kuruş Group A shares have the privileges:

- to obtain 20 times share at the distribution of bonus shares issued from conversion of extraordinary reserves and revaluation funds generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- to exercise 20 times of preferential rights (Article 19 of the Articles of Incorporation)
- for 20 voting rights (Article 49 of the Articles of Incorporation)

Despite their smaller nominal value (Full 1 Kuruş) Group B shares have the same rights for the above mentioned subjects over Group C shares with a nominal value of full 4 Kuruş. Furthermore, Group A and Group B shares have priority rights over Group C shares in the distribution of profits pursuant to Article 58 of the Bank's Articles of Incorporation.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

23. CAPITAL AND RESERVES (continued)

Authorized and nominal paid in capital can be analysed as follows:

Group	Par Value	31 December	31 December	31 December	31 December
		2013	2013	2012	2012
		Authorized	Paid-In	Authorized	Paid-In
A	0.0100	1	1	1	1
B	0.0100	29	29	29	29
C	0.0400	4,499,970	4,499,970	4,499,970	4,499,970
		4,500,000	4,500,000	4,500,000	4,500,000

At 31 December 2013 and 31 December 2012, the Bank's share capital was held as follows:

Shareholders	Ownership Percentage (%)	Paid-Up Capital	Paid-Up Capital
		31 December 2013	31 December 2012
Supplementary Pension Fund of İşbank Members	40,16	2,456,161	2,491,022
Republican People's Party (CHP)	28,09	1,717,967	1,717,967
Other	31,75	1,941,810	1,906,949
	100.00	6,115,938	6,115,938

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends

At the Ordinary General Assembly of the Bank held on 29 March 2013, it was decided to distribute a dividend of TL 796,619 to Group A, Group B and Group C shareholders, founder shareholders, Board of Directors, management and personnel and to allocate TL 228,335 to legal reserves from retained earnings. According to Turkish legislation, unconsolidated current year profit is used for profit distribution.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***24. NET FEE AND COMMISSION INCOME**

	31 December 2013	31 December 2012
Credit card fee and commission	816,175	772,780
Investment funds portfolio management commission	107,749	92,274
Bank account charges	205,211	206,179
Non-cash loan commission	227,452	183,830
Collection and payment commission	209,373	105,358
Money transfer charges	167,502	132,840
Customer investigation charges	223,361	248,521
Commission for insurance agency operations	76,172	64,915
Other	128,447	123,403
Total Fee and Commission Income	2,161,442	1,930,100
Commission given for credit cards	128,177	124,123
Banking commission	29,092	27,269
Stock exchange operations commission	28,344	25,434
Other	45,998	35,544
Total Fee and Commission Expense	231,611	212,370
Net Fee and Commission Income	1,929,831	1,717,730

25. OTHER OPERATING INCOME

	31 December 2013	31 December 2012
Gain on sale of investments in equity participations and tangible assets	159,202	83,047
Income from removal of mortgages and hostages	22	-
Rent income	10,556	-
Reversal of excess provisions	239,456	252,254
Other	23,455	28,967
	432,691	364,268

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***26. GENERAL ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

	31 December 2013	31 December 2012
Salaries and employee benefits	2,255,530	1,802,767
Deposit insurance premium expense	220,730	148,734
Depreciation and amortisation	302,765	255,242
Rent expense	224,595	176,599
Other provisions	695,641	388,498
Communication expense	112,459	107,930
Advertising expenses	169,044	149,948
Increase in liability for long service leave	57,419	124,768
Research and development expense	11,552	14,716
Other	1,061,590	1,430,830
	5,111,325	4,600,032

27. RELATED PARTIES

In the course of conducting its banking business, the Bank conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at year-end and relating expense and income for the year are as follows:

	31 December 2013	31 December 2012
<u>Assets:</u>		
Loans and advances to banks	86,498	123,492
Cash loans	1,492,869	1,389,786
Interest and other income accruals	28,302	10,002
<u>Liabilities:</u>		
Deposits	3,790,628	3,886,427
Interest and other expense accruals	75,450	106,534
<u>Income / (expense):</u>		
Interest and commission income	84,088	72,525
Interest expense	210,580	233,881
Profit/loss from derivative transaction	68,224	(17,985)
<u>Off-balance sheet items:</u>		
Derivative instrument contracts	1,208,134	531,237
Non-cash loans	1,617,756	1,408,678

No impairment losses have been recognised against related party balances during the year (31 December 2012: None).

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***27. RELATED PARTIES (continued)***Compensation of key management personnel:*

The remunerations of directors and other members of key management during the year were as follows:

	31 December 2013	31 December 2012
Short-term benefits	15,401	15,193
	15,401	15,193

28. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the separate financial statements including:

	31 December 2013	31 December 2012
Guarantee letters and guarantees	30,095,919	22,738,115
Letters of credit	6,421,249	4,585,247
Acceptance loans	1,494,946	1,298,250
Endorsements	-	-
Commitments for credit card expenditure limits	17,679,967	15,742,457
Loan granting commitments	9,155,392	6,752,742
Commitments for check payments	6,024,383	6,124,562
Other commitments	8,933,526	6,202,035
	163,132,517	126,895,616

Definite guarantees, provisional guarantees, sureties and similar transactions:

	31 December 2013	31 December 2012
Provisional letters of guarantee	868,963	1,114,185
Definite letters of guarantee	20,761,079	15,832,634
Advance letters of guarantee	4,528,544	3,532,163
Letters of guarantee addressed to customs	1,952,773	1,053,538
Other guarantees and letters of guarantee	1,984,560	1,205,595
	30,095,919	22,738,115

Non-cash loans maturity structure is as follows:

	31 December 2013	31 December 2012
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
	38,012,114	28,621,612

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

28. COMMITMENTS AND CONTINGENCIES (continued)

The breakdown of notional amounts of derivative instruments as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013 Buy	31 December 2013 Sell	31 December 2012 Buy	31 December 2012 Sell
Forward foreign exchange contracts	4,561,636	4,588,558	5,044,353	5,016,152
Currency swaps	18,551,123	18,423,513	6,304,743	5,926,004
Interest rate swaps	10,886,720	10,886,720	12,900,278	12,900,278
Currency options	4,555,540	4,564,244	3,713,920	3,698,440
Interest rate options	1,287,735	1,287,735	1,287,996	1,287,996
Marketable security futures	-	438,254	-	422,630
Futures	-	358	-	-
Cross currency swaps	1,746,058	1,548,941	2,630,188	2,319,230
	41,588,812	41,738,323	31,881,478	31,570,730

Fiduciary Activities

The Bank provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying separate financial statements.

The Bank has 29 mutual funds; 28 of them are managed by İş Portföy Yönetimi A.Ş. and 1 of them are managed by İş Yatırım Menkul Değerler A.Ş. which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Bank purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

Commitment and contingencies in the year 2013

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.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

28. COMMITMENTS AND CONTINGENCIES (continued)

In order to fulfill its liabilities with respect to the articles of association of Vakouf (Vakıf senedi), the Bank made payments to "Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı," which is a foundation established according to Turkish Commercial Law and Civil Law. In relation to these payments made by the Bank, the tax auditors conducted an inspection of these payments, which claimed that the payments should have been considered as wage and subject to withholding tax as the beneficiaries of the payments were the employees of the Bank. 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 favour 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.

29. THE BANK'S STRATEGY FOR THE USE OF 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. 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

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

29. THE BANK'S STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS (continued)

made and some of the funds are transferred to the Treasury guaranteed projects. On the other hand, high yield Eurobonds and government debt securities portfolios are of sufficient quality and quantity to reduce the risk which may arise from the fluctuations in the interest rates.

In terms of placements, security principle has always been the priority of the Bank and the placements are oriented to high yield 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 continuously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are 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.

30. RISK MANAGEMENT

Through its normal operations, the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Risk management department exercises its functions according to the Internal Risk Management Policies of the Bank, and directly reports to Board of Directors. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Bank's general management.

Capital Adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by BRSA, The minimum ratio is 8% (12% if a bank operates in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Bank operates in offshore markets. As of 31 December 2013, capital adequacy ratio of the Bank on an unconsolidated basis is 14.38%.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**

Fair values of the financial instruments are summarized below:

	Carrying amount		Fair value	
	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>
	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Financial assets:				
Loans and advances to customers	134,162,847	106,081,171	133,030,951	104,989,838
Financial assets at fair value through profit or loss	2,203,558	1,373,336	2,203,558	1,373,336
Available for sale investments	28,319,745	26,331,819	28,319,745	26,331,819
Held to maturity investments	7,627,448	10,953,158	7,732,705	11,737,347
Financial liabilities:				
Deposits	120,974,765	105,383,434	120,970,317	105,384,688
Obligations under repurchase agreements	20,916,278	13,519,099	20,916,278	13,519,099
Funds borrowed	15,909,946	10,736,807	15,835,478	10,769,659
Subordinated liabilities	2,984,143	1,804,451	2,828,453	1,925,819

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3.6.5.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**

This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2013		
	Level 1	Level 2	Level 3
Financial Asset at Fair Value Profit or Loss			
Debt Securities	827,854	5,901	57,228
Equity Shares	2	-	-
Derivative Financial Asset	-	1,312,573	-
Other	-	-	-
Financial Asset Available for Sale			
Debt Securities	18,989,827	5,190,812	4,095,104
Other	-	44,002	-
Investments in Equity Shares (*)	5,585,702	-	-
Derivative Financial Liabilities	-	981,522	-

(*)Since the unlisted investments in associates and subsidiaries are recognised at cost less impairment within the framework of IAS 39, these companies are not included in the tables above.

	31 December 2012		
	Level 1	Level 2	Level 3
Financial Asset at Fair Value Profit or Loss			
Debt Securities	743,081	4,978	6,558
Equity Shares	56	-	-
Derivative Financial Asset	-	618,663	-
Other	-	-	-
Financial Asset Available for Sale			
Debt Securities	20,011,555	5,043,551	1,228,380
Other	-	48,333	-
Investments in Equity Shares (*)	5,496,345	-	-
Derivative Financial Liabilities	-	737,284	-

(*)Since the unlisted investments in associates and subsidiaries are recognised at cost less impairment within the framework of IAS 39, these companies are not included in the tables above.

There has not been any transfer between level 1 and level 2 during the year.

The movement table of financial assets at level 3 are given below.

	2013	2012
Balance at the Beginning of the Year	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)
Currency Translation Difference	-	-
Transfers	47,211	(2,050,170)
Balance at the end of the year	4,152,332	1,234,938

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30. RISK MANAGEMENT (continued)

Fair Value of Financial Instruments (continued)

The Bank considers that the carrying amounts of financial assets and financial liabilities recorded in the separate financial statements approximate their fair values.

Liquidity risk:

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments. The Bank uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

Operational risk:

Operational risk arises from the potential for financial loss or reputation damage as a result of inadequate systems (including systems breakdown), errors, poor management, and breaches of internal controls, fraud or external events. The Bank's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

Market risk:

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts will have an adverse financial impact. The primary risks within the Bank's activities are interest rate. Turkish interest rates can be volatile. The Bank's management of its exposure to market risk is performed through the Asset and Liability Committee, comprising members of senior management, and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

The market risk is measured by two separate methods known respectively as the Standard Method and the Value At Risk ("VAR") by Market Risk Management Department.

By applying the Standard Method, at the end of each month and weekly measurements of exchange rate risk are reported to the Bank's top management.

Using VAR method, the market risk is measured on a daily basis to differentiate between interest rate risk, currency risk and equity participation risk and is subject to daily internal reporting in the Bank. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR method, which is used to estimate the largest possible loss of the following day.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Currency risk:

The foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The risk arising from the depreciation or appreciation of Turkish Lira against foreign currencies is managed at the Board level.

In accordance with IFRS 7, the Bank's sensitivity to a potential change in foreign currency rates which may have a significant impact has been analysed, In the analysis presented below 10% change is anticipated in USD, EUR and GBP and such change is used in the Bank's internal reporting.

Change in Foreign Currency		Effects on Profit/Loss (*)	
		<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
USD	10% increase	14,050	189,438
	10% decrease	(14,050)	(189,438)
EURO	10% increase	(240,107)	(184,307)
	10% decrease	240,107	184,307

(*) The above impacts on the profit/loss and shareholders' equity indicate the values before tax.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Currency risk (continued):

Net foreign currency position for the year ended 31 December 2013 and for the year ended 31 December 2012 are as follows:

31 December 2013	EURO	USD	Other FC	Total
ASSETS				
Cash and cash equivalents	223,698	535,730	122,188	881,616
Balances with the central bank	6,609,964	7,204,598	3,108,242	16,922,804
Loans and advances to banks	219,837	848,595	343,976	1,412,408
Financial assets at fair value through profit or loss	126,703	371,616	-	498,319
Available for sale investment securities	623,394	5,776,895	-	6,400,289
Held-to-maturity investment securities	7,561	2,115	6,021	15,697
Investments in equity participations	285,945	-	130,366	416,311
Loans and advances to customers (*)	16,018,830	34,563,422	1,478,768	52,061,020
Other assets	517,876	381,026	18,703	917,605
Total Assets	24,633,808	49,683,997	5,208,264	79,526,069
LIABILITIES				
Deposits (**)	24,321,427	24,553,643	5,659,740	54,534,810
Loans and advances from banks	6,011,558	8,245,847	1,499	14,258,904
Obligations under repurchase agreements	220,903	3,693,226	-	3,914,129
Debt securities issued	-	4,927,093	-	4,927,093
Subordinated liabilities	-	2,984,143	-	2,984,143
Other liabilities	1,270,521	2,134,868	40,080	3,445,469
Total Liabilities	31,824,409	46,538,820	5,701,319	84,064,548
Net Statement of Financial 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
Net Long /(Short)Position	(2,340,861)	412,097	(122,886)	(2,051,650)
31 December 2012				
Total Assets	17,273,860	38,943,662	4,557,691	60,775,213
Total Liabilities	20,677,248	34,933,404	4,547,081	60,157,733
Net Statement of Financial Position	(3,403,388)	4,010,258	10,610	617,480
Net Off-Balance Sheet Position	1,560,584	(2,165,399)	531,147	(73,668)
Net Long /(Short)Position	(1,842,804)	1,844,859	541,757	543,812

(*) The loan balance does not include non-performing loans and reserves.

(**) The deposits balance includes precious metal deposits amounting to TL 3,235,823.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**

Maturity analysis of financial assets and financial liabilities are presented in the table below:

31 December 2013	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Without Maturity	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	2,152,335	2,152,335
Balances with the central bank	14,806,382	-	-	-	-	6,001,336	20,807,718
Loans and advances to banks	817,644	9,107	27,373	21,169	-	652,317	1,527,610
Financial assets at fair value through profit or loss	422,372	406,728	491,647	568,431	314,378	2	2,203,558
Available for sale investment securities	559,211	617,121	3,777,572	11,002,925	12,318,914	44,002	28,319,745
Held-to-maturity investment securities	-	717,720	5,769,789	1,139,939	-	-	7,627,448
Loans and advances to customers (*)	12,586,977	10,900,065	37,919,809	53,873,712	12,339,501	6,731,535	134,351,599
LIABILITIES							
Deposits	67,188,468	20,245,236	7,744,158	173,808	-	25,623,095	120,974,765
Funds borrowed	418,617	1,135,548	8,980,455	4,199,522	1,175,804	-	15,909,946
Obligations under repurchase agreements	19,585,239	94,899	240,067	558,129	437,944	-	20,916,278
Subordinated liabilities	-	-	-	-	2,984,143	-	2,984,143
31 December 2012	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Without Maturity	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	1,658,038	1,658,038
Balances with the central bank	11,231,273	-	-	-	-	2,967,978	14,199,251
Loans and advances to banks	668,572	35,300	19,954	-	-	711,020	1,434,846
Financial assets at fair value through profit or loss	281,958	250,533	313,257	413,930	113,602	56	1,373,336
Available for sale investment securities	1,204,976	390,101	4,103,426	11,653,559	8,931,424	48,333	26,331,819
Held-to-maturity investment securities	511,325	11	3,157,200	7,284,622	-	-	10,953,158
Loans and advances to customers (*)	12,596,600	8,162,334	25,131,028	39,295,389	8,963,955	12,188,320	106,337,626
LIABILITIES							
Deposits	57,624,790	20,767,862	5,830,641	213,406	-	20,946,735	105,383,434
Funds borrowed	300,204	368,986	6,629,966	2,709,235	728,416	-	10,736,807
Obligations under repurchase agreements	12,273,358	4,544	377,794	469,114	394,289	-	13,519,099
Subordinated liabilities	-	-	-	-	1,804,451	-	1,804,451

(*)The loan balance does not include non-performing loans and reserves.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Liquidity Risk:

The following are the contractual maturities of financial liabilities including interest payments and excluding the impact of netting agreements:

31 December 2013	Carrying Amount	Gross nominal inflow/outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Non-Derivative Liabilities								
Deposits	120,974,765	121,445,132	25,623,095	67,356,660	20,405,566	7,873,928	185,883	-
Loans and advances from banks	15,909,946	16,500,542	-	424,628	1,160,938	9,121,167	4,550,715	1,243,094
Obligations under repurchase agreements	20,916,278	21,008,687	-	19,589,631	96,033	253,132	623,117	446,774
Debt securities issued	10,080,005	11,122,667	-	1,035,839	1,290,308	2,932,534	4,778,690	1,085,296
Subordinated liabilities	2,984,143	4,761,576	-	-	-	193,083	772,330	3,796,163
Derivative Liabilities								
Inflow	(1,312,573)	(42,027,066)	-	(12,267,347)	(6,708,561)	(8,575,296)	(11,565,293)	(2,910,569)
Outflow	981,522	41,300,069	-	12,142,397	6,457,376	8,413,964	11,375,763	2,910,569
	170,534,086	174,111,607	25,623,095	88,281,808	22,701,660	20,212,512	10,721,205	6,571,327

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Liquidity risk (continued):

31 December 2012	Carrying Amount	Gross nominal inflow/outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Non-Derivative Liabilities								
Deposits	105,383,434	105,860,293	20,946,735	57,776,498	20,948,449	5,957,463	231,148	-
Loans and advances from banks	10,736,807	11,214,677	-	307,084	385,590	6,755,842	2,972,570	793,591
Obligations under repurchase agreements	13,519,099	13,640,069	-	12,283,555	5,768	394,543	544,922	411,281
Debt securities issued	6,364,116	6,774,476	-	1,000,000	1,605,389	2,131,956	2,037,131	-
Subordinated liabilities	1,804,451	2,856,000	-	-	-	107,100	428,400	2,320,500
Derivative Liabilities								
Inflow	(618,663)	(32,304,108)	-	(8,466,888)	(3,197,127)	(9,459,091)	(9,048,353)	(2,132,649)
Outflow	737,284	31,148,100	-	7,652,294	3,187,649	9,180,027	8,995,481	2,132,649
	137,926,528	139,189,507	20,946,735	70,552,543	22,935,718	15,067,840	6,161,299	3,525,372

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Liquidity risk (continued):

Remaining maturities of non-cash loans are as follows:

31 December 2013	No Maturity	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
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	17,552,272	594,791	1,642,000	5,588,081	3,404,725	728,988	29,510,857
Acceptance	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

31 December 2012	No Maturity	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
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	13,464,796	642,626	1,343,974	3,973,423	2,488,947	337,628	22,251,394
Acceptance	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

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Liquidity risk (continued):

Remaining maturities of derivative instruments are as follows:

31 December 2013	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Purchase of Forward Contracts	1,931,447	929,102	1,563,470	137,617	-	4,561,636
Sale of Forward Contracts	1,938,462	945,983	1,566,678	137,435	-	4,588,558
Purchase of Swap Contracts	9,363,548	4,703,135	3,701,449	11,075,371	2,340,398	31,183,901
Sale of Swap Contracts	9,279,628	4,670,697	3,682,428	10,886,023	2,340,398	30,859,174
Purchase of Futures Contracts	-	-	-	-	-	-
Sale of Futures Contracts	-	358	-	-	-	358
Purchase of Options	919,955	835,986	3,164,858	352,305	570,171	5,843,275
Sale of Options	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

31 December 2012	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Purchase of Forward Contracts	2,181,845	1,109,347	1,585,745	167,416	-	5,044,353
Sale of Forward Contracts	2,159,549	1,104,851	1,584,790	166,962	-	5,016,152
Purchase of Swap Contracts	5,192,537	1,501,917	5,690,904	7,806,874	1,642,977	21,835,209
Sale of Swap Contracts	4,781,645	1,501,805	5,464,629	7,754,456	1,642,977	21,145,512
Purchase of Futures Contracts	-	-	-	-	-	-
Sale of Futures Contracts	-	-	-	-	-	-
Purchase of Options	712,426	583,651	2,142,104	1,074,063	489,672	5,001,916
Sale of Options	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

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Interest rate risk:

The Bank is exposed to interest rate risk either through market value fluctuations of statement of financial position items, i.e., price risk, or the impact of rate changes on interest sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in prices of financial instruments including government bonds and treasury bills. The major sources of funding are customer deposits. Because of the duration gap between funding liabilities and interest bearing assets, a significant increase in interest rates may cause the Bank to incur significant costs. Interest rate sensitivity of the assets, liabilities and off-balance sheet items are managed by the Bank. Progressive forecasting is determined with simulation reports, interest rate fluctuations effect are identified with sensitivity reports and scenario analysis. The cash need in the terms is determined with gap analysis.

31 December 2013	EURO	USD	TL
	%	%	%
<u>Assets</u>			
Loans and advances to banks	0.15	0.27	4.86
Investment securities			
Financial assets at fair value through profit or loss	3.15	4.59	12.02
Available for sale investment securities	4.60	4.23	8.09
Held to maturity investment securities	1.29	0.05	11.83
Loans	3.95	4.41	11.61
<u>Liabilities</u>			
Bank deposits	1.83	0.86	6.65
Other deposits	2.03	2.08	6.38
Funds borrowed	1.35	2.01	7.35
Obligations under repurchase agreements	1.56	5.15	8.40
Debt securities issued		1.20	7.45
31 December 2012			
	EURO	USD	TL
	%	%	%
<u>Assets</u>			
Loans and advances to banks	0.46	0.36	5.15
Investment securities			
Financial assets at fair value through profit or loss	2.31	3.25	8.61
Available for sale investment securities	4.63	4.57	8.18
Held to maturity investment securities	0.75	0.05	12.54
Loans	4.67	4.90	12.94
<u>Liabilities</u>			
Bank deposits	1.90	2.10	6.16
Other deposits	2.19	2.26	6.40
Funds borrowed	1.40	2.29	8.85
Obligations under repurchase agreements	2.09	5.33	8.11
Debt securities issued		1.44	5.74

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30. RISK MANAGEMENT (continued)

Interest rate risk (continued):

The sensitivity of the Bank's assets and liabilities has been analysed by assuming that the year end balances are deemed to be the same throughout the year.

During the measurement of the Bank's interest rate sensitivity, the difference between the portfolio values of the asset and liability items evaluated with market value and the portfolio value calculated by using the interest shock applied discount curve, is considered as the reflection of the interest shock to the profit/loss accounts.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current markets price, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities with variable interest rates will be renewed at the end of the repricing period with the market interest rates generated after the interest shock.

% Change in Interest Rate (*)	31 December 2013		31 December 2012		
	Effect On Profit/Loss (**)	Effect on Equity (***)	Effect On Profit/Loss (**)	Effect on Equity (***)	
TL	FC(****)				
1% increase	1% increase	(194,306)	(480,678)	(72,312)	(444,381)
1% decrease	1% decrease	205,131	512,920	109,855	478,449

(*)The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(**)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.

(***)The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

(****)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.

Other price risks

The Bank is exposed to equity share risk arising from its available for sale investments, which are traded on the Istanbul Stock Exchange. As of the reporting date, in case all other variables are constant and the share prices are 10% more/less; unless the equity share investments classified as available for sale investments are disposed of or impaired, the net profit/loss will not be effected, TL 558,570 increase/decrease is anticipated in the marketable securities unrealised gain/loss on available for sale account under the shareholders' equity (31 December 2012: TL 549,635 increase/decrease).

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Interest rate risk (continued):

Interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

31 December 2013	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	2,152,335	2,152,335
Balances with the central bank	-	-	-	-	-	20,807,718	20,807,718
Loans	998,639	9,107	27,373	21,169	-	471,322	1,527,610
Financial assets at fair value through profit or loss	525,710	696,723	609,748	243,837	126,708	832	2,203,558
Available for sale investment securities	6,966,296	4,027,216	6,261,904	5,680,266	5,340,061	44,002	28,319,745
Held-to-maturity investment securities	150,501	906,709	6,570,238	-	-	-	7,627,448
Loans and advances to customers (*)	27,594,827	21,614,460	28,371,035	43,826,880	12,915,324	29,073	134,351,599
LIABILITIES							
Deposits	67,214,599	20,251,423	7,736,208	173,771	-	25,598,764	120,974,765
Funds borrowed	4,560,018	6,728,583	3,284,981	431,857	904,507	-	15,909,946
Debt securities issued	1,039,817	1,269,975	2,693,928	4,041,087	1,035,198	-	10,080,005
Subordinated liabilities	-	-	-	-	2,984,143	-	2,984,143
Obligations under repurchase agreements	19,851,877	418,461	645,940	-	-	-	20,916,278
31 December 2012	Up To 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	1,658,038	1,658,038
Balances with the central bank	-	-	-	-	-	14,199,251	14,199,251
Loans	816,858	35,300	19,954	-	-	562,734	1,434,846
Financial assets at fair value through profit or loss	328,015	588,712	361,258	86,474	8,821	56	1,373,336
Available for sale investment securities	7,762,510	2,177,410	7,297,099	5,226,291	3,820,176	48,333	26,331,819
Held-to-maturity investment securities	661,469	3,264,888	5,029,472	1,997,329	-	-	10,953,158
Loans and advances to customers (*)	31,136,029	11,524,377	23,208,831	33,085,956	7,364,538	17,895	106,337,626
LIABILITIES							
Deposits	57,640,544	20,769,079	5,827,623	211,606	-	20,934,582	105,383,434
Funds borrowed	5,795,809	2,191,884	1,946,767	73,517	728,830	-	10,736,807
Debt securities issued	997,897	1,727,076	1,865,781	1,765,155	-	-	6,355,909
Subordinated liabilities	-	-	19,451	-	1,785,000	-	1,804,451
Obligations under repurchase agreements	12,498,660	299,695	720,744	-	-	-	13,519,099

(*)The loan balance does not include non-performing loans and reserves.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

30. RISK MANAGEMENT (continued)

Credit risk:

Credit risk refers to the risk that a contractual partner defaults on its contractual obligations or does not deliver in full accordance with the conditions of contract. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorized at the Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Bank places strong emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security over other assets. The credit portfolio is monitored according to various criteria including industry sector, geographical area and risk categories.

The Bank is evaluating the quality of the loan portfolio by application of different rating/scoring models to individual loans, commercial/corporate loans and credit cards. The rating/scoring results related to the cash commercial and corporate loans portfolio are classified as "Strong", "Standard" and "Below Standard" by considering their default features. The loans whose borrowers' capacity to fulfil their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfil its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfil their obligations is poor, are defined as "Below Standard". The percentage of the portfolio according to the rating/scoring results is as follows:

	31 December 2013	31 December 2012
Strong	49,38%	51.46%
Standard	37,02%	33.83%
Below Standard	4,71%	5.99%
No rated/Scored	8,89%	8.72%

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Credit risk (continued):

The Bank's ratings assigned by international rating agencies, Moody's, Fitch Ratings and Standard & Poor's ratings are as follows:

Moody's	Notes
Financial Strength Rating	D+ (Stable)
Long Term Foreign Currency Deposits	Baa3 (Stable)
Long Term TL Deposits	Baa2 (Stable)
Short Term Foreign Currency Deposits	P-3
Short Term TL Deposits	P-2

Fitch Ratings	Notes
Long Term Foreign Currency Loan	BBB (Stable)
Long Term TL Loans	BBB (Stable)
Short Term Foreign Currency Loan	F3
Short Term TL Loans	F3
National Outlook	AAA (tur)(Stable)
Individual	bbb
Support	3

Standard & Poor's	Notes
Long Term Loans	BB+ (Negative)
Short Term Loans	B
Long term national outlook	trAA+
Short term national outlook	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.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Credit risk (continued):

The aging analysis of past due but not impaired loans is as follows:

31 December 2013	1-30 Days	31-60 Days	61-90 Days	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
	778,135	190,737	88,750	1,057,622

(*) The remaining instalments of the above overdue commercial loans and consumer loans are TL 623,460 and TL 844,584 respectively.

31 December 2012	1-30 Days	31-60 Days	61-90 Days	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
	825,794	163,197	81,449	1,070,440

(*) The remaining instalments of the above overdue commercial loans and consumer loans are TL 777,283 and TL 501,169 respectively.

The statement of carrying values of the financial assets, whose maturity and agreement terms are renegotiated, is stated below:

	31 December 2013	31 December 2012
Loans:		
Corporate / Commercial Loans	99,544	119,228
Consumer Loans	3,533,637	1,520,630
Credit Cards	176,538	161,290
	3,809,719	1,801,148

In the event that a deterioration in the financial condition or in the cash flow of the debtor is evidenced, or there is sufficient proof or risk that repayment will not be made in a timely manner and in accordance with the conditions as set forth in the applicable loan agreement, loans and receivables are allocated to closely monitored loans group and monitored by the credit departments. It is not required to provide any specific reserve for this group of loans, Loans whose maturity exceeds 30 days, but which do not meet the requirements to be classified as non-performing loans are also classified in this group of loans.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***30. RISK MANAGEMENT (continued)**Credit risk (continued):

The fair value of the collaterals and other guarantees received by the Bank for closely monitored loans are given below in terms of collateral type:

Type of Collateral	Fair Value of the Collateral 31 December 2013	Total Loan Balance 31 December 2013	Fair Value of the Collateral 31 December 2012	Total Loan Balance 31 December 2012
Mortgage (*)	582,828	582,828	574,296	574,296
Vehicle Pledge	109,493	109,493	140,164	140,164
Cash Collateral (Cash, securities pledge, pledge on wages, cheques and notes etc.)	236,436	236,436	176,205	176,205
Other (surety, commercial enterprise under pledge etc.)	308,302	308,302	173,691	173,691
Not-collateralized	-	847,602	-	827,175
Total	1,237,059	2,084,661	1,064,356	1,891,531

(*) 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.

The net values of the collaterals of non-performing loans are given below in terms of collateral types:

Type of Collateral	Net Value of the Collateral 31 December 2013	Total Loan Balance 31 December 2013	Net Value of the Collateral 31 December 2012	Total Loan Balance 31 December 2012
Mortgage (*)	354,879	354,879	417,804	417,804
Cash Collateral (Cash, securities pledge, pledge on wages, cheques and notes etc.)	157	157	36	36
Vehicle Pledge	53,749	53,749	59,204	59,204
Other (surety, commercial enterprise under pledge, commercial papers, etc.)	23,247	23,247	30,474	30,474
Total	432,032	432,032	507,518	507,518

(*) 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.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

31. SEGMENT REPORTING

The Bank's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies (excluding real trading persons) within the course of its corporate and commercial operations through various financial media. 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 being provided for the aforementioned customer segments.

Services are being provided to individuals, real trading persons and non-trading corporations and institutions within the context of "Retail Banking". This customer segment's requirements are met by banking services 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. As for the private banking category, any kind of financial and cash management services are provided for individuals in the high-income group.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as security trading, money market transactions, spot and instalment based TL and foreign currency trading, and derivative transactions such as forward, swap, futures and options, as well as syndication and securitization.

The Bank's participations and subsidiaries operating in financial and real sector are evaluated within the context of investment banking. Details about the Bank's participations and subsidiaries are disclosed in Note 10.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***31. SEGMENT REPORTING (continued)***Statement of financial position and profit/loss items' segment distribution as at 31 December 2013*

	Corporate	Commercial	Retail	Private	Treasury/ Investment	Not Classified	Total
OPERATING INCOME/EXPENSE							
Interest income							13,455,432
Interest income on loans	2,380,559	4,529,831	3,234,553	39,690	-	205,890	10,390,523
Interest income on securities	-	-	-	-	3,014,775	-	3,014,775
Interest income on banks	-	-	-	-	8,190	-	8,190
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 bond issued	-	-	-	-	(584,757)	-	(584,757)
Other interest expense	-	-	-	-	-	(80,993)	(80,993)
Net interest income							6,650,180
Net fee and commission income							1,929,831
Fee and commission received	281,772	966,744	865,311	22,837	-	24,778	2,161,442
Fee and commission paid	-	-	-	-	-	(231,611)	(231,611)
Securities trading and derivative income (net)	-	-	-	-	(93,743)	-	(93,743)
Foreign exchange losses (net)	-	-	-	-	320,668	-	320,668
Dividend income	-	-	-	-	450,312	-	450,312
Other income	-	-	-	-	-	432,691	432,691
Reversal of impairment losses on loans	-	-	-	-	(26,721)	(282,057)	(308,778)
General administrative and other operating expenses	(71,928)	(814,927)	(1,453,675)	(28,826)	-	(2,741,969)	(5,111,325)
Income before tax							4,269,836
Income tax expense							(704,179)
Net profit for the year							3,565,657
SEGMENT ASSETS							
Trading investment securities	-	-	-	-	890,985	-	890,985
Derivative financial assets held for trading	-	-	-	-	1,312,573	-	1,312,573
Loans and advances to banks	-	-	-	-	1,527,610	-	1,527,610
Available for sale investment securities	-	-	-	-	28,319,745	-	28,319,745
Held-to-maturity investment securities	-	-	-	-	7,627,448	-	7,627,448
Investments in equity participations	-	-	-	-	7,778,938	-	7,778,938
Loans and advances to customers (*)	44,128,447	52,151,330	33,352,400	501,812	-	4,217,610	134,351,599
Other	-	-	-	-	-	27,238,435	27,238,435
Total assets							209,047,333
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
Obligations under repurchase agreements	-	-	-	-	20,916,278	-	20,916,278
Debt securities issued	-	-	-	-	10,080,005	-	10,080,005
Subordinated liabilities	-	-	-	-	2,984,143	-	2,984,143
Funds borrowed	-	-	-	-	15,909,946	-	15,909,946
Provisions	-	-	-	-	-	3,639,221	3,639,221
Other	-	-	-	-	-	8,512,638	8,512,638
Shareholders' equity	-	-	-	-	-	25,048,815	25,048,815
Total liabilities							209,047,333

(*) The loan balance does not include non-performing loans and reserves.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

31. SEGMENT REPORTING (continued)*Statement of financial position and profit/loss items' segment distribution as at 31 December 2012*

	Corporate	Commercial	Retail	Private	Treasury/ Investment	Not Classified	Total
OPERATING INCOME/EXPENSE							
Interest income							13,405,897
Interest income on loans	1,878,217	4,466,142	3,087,775	45,054	-	219,994	9,697,182
Interest income on securities	-	-	-	-	3,653,937	-	3,653,937
Interest income on banks	-	-	-	-	12,284	-	12,284
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 bond issued	-	-	-	-	(438,540)	-	(438,540)
Other interest expense	-	-	-	-	-	(73,490)	(73,490)
Net interest income							5,943,399
Net fee and commission income							1,717,730
Fee and commission received	203,439	419,068	574,114	17,106	-	716,373	1,930,100
Fee and commission paid	-	-	-	-	-	(212,370)	(212,370)
Securities trading and derivative income (net)	-	-	-	-	134,425	-	134,425
Foreign exchange losses (net)	-	-	-	-	455,965	-	455,965
Dividend income	-	-	-	-	417,703	-	417,703
Other income	-	-	-	-	-	364,268	364,268
Reversal of impairment losses on loans	-	-	-	-	(26,964)	46,473	19,509
General administrative and other operating expenses	(204,825)	(801,220)	(1,555,040)	(73,774)	-	(1,965,173)	(4,600,032)
Income before tax							4,452,967
Income tax expense							(821,340)
Net profit for the year							3,631,627
SEGMENT ASSETS							
Trading investment securities	-	-	-	-	754,673	-	754,673
Derivative financial assets held for trading	-	-	-	-	618,663	-	618,663
Loans and advances to banks	-	-	-	-	1,434,846	-	1,434,846
Available for sale investment securities	-	-	-	-	26,331,819	-	26,331,819
Held-to-maturity investment securities	-	-	-	-	10,953,158	-	10,953,158
Investments in equity participations	-	-	-	-	7,715,038	-	7,715,038
Loans and advances to customers (*)	36,584,452	39,850,812	27,076,617	403,235	-	2,422,510	106,337,626
Other	-	-	-	-	-	19,694,744	19,694,744
Total assets							173,840,567
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
Obligations under repurchase agreements	-	-	-	-	13,519,099	-	13,519,099
Debt securities issued	-	-	-	-	6,355,909	-	6,355,909
Subordinated liabilities	-	-	-	-	1,804,451	-	1,804,451
Funds borrowed	-	-	-	-	10,736,807	-	10,736,807
Provisions	-	-	-	-	-	3,463,753	3,463,753
Other	-	-	-	-	-	8,053,379	8,053,379
Shareholders' equity	-	-	-	-	-	23,786,451	23,786,451
Total liabilities							173,840,567

(*) The loan balance does not include non-performing loans and reserves.

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***31. SEGMENT REPORTING (continued)**

Information on geographical distribution of total loans:

The Bank's operations are mainly concentrated in domestic market, and thus domestic loans of the Bank comprise 98.6% of its total loans. Distribution of total loans is stated below:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Domestic Loans	132,490,116	104,911,300
Foreign Loans	<u>1,861,483</u>	<u>1,426,326</u>
	134,351,599	106,337,626

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

*(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)***32. EARNINGS PER C CLASS SHARE**

Basic earnings per share ("EPS") are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

There is no dilution of shares as at 31 December 2013.

The following reflects the comprehensive income and share data used in the basic earnings per share computations:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Profit available to C class shareholders	3,565,657	3,631,627
Weighted average number of shares during the year (Million)	112,502	112,502
Earnings per C class share (TL per share)	<u>0.0317</u>	<u>0.0323</u>

TÜRKİYE İŞ BANKASI A.Ş.

Notes to the Separate Financial Statements

As at and for the Year Ended 31 December 2013

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33. 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 399.6 million, with a maturity of 127 days, bank bills with a nominal value of TL 531.3 million with a maturity of 232 days, and have issued discount bonds with a nominal value of TL 158.6 million with a maturity of 370 days on January 2014.
- 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 133.7 million and with a term of 92 days, bills with a nominal value of TL 466.2 million and with a term of 169 days on February 2014.
- 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 348.9 million and with a term of 96 days, bills with a nominal value of TL 507.7 million and with a term of 257 days and discount bonds with a nominal value of TL 62.6 million and with a term of 383 days on March 2014.
- 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 510.7 million and with a term of 96 days, bills with a nominal value of TL 893.5 million and with a term of 271 days and discount bonds with a nominal value of TL 98.1 million and with a term of 397 days on April 2014.