

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - see section three Note XXIII)

**Albaraka Türk Katılım Bankası
Anonim Şirketi**

Consolidated financial statements including independent auditors' report and notes to the financial statements as of December 31, 2013

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - see section three Note XXIII)

Albaraka Türk Katılım Bankası Anonim Şirketi
Independent auditors' report
for the year ended December 31, 2013

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi,

We have audited the accompanying consolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group") as at December 31, 2013 and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the financial statements:

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.




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Additional Paragraph for Convenience Translation:

As explained in detail in Note XXIV of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Metin Canoğulları
Partner, SMMM

February 20, 2014
İstanbul, Turkey

**CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

Address of the Bank's headquarter : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6
34768 Ümraniye / İstanbul
Bank's phone number and facsimile : 00 90 216 666 01 01 – 00 90 216 666 16 00
Bank's website : www.albarakaturk.com.tr
Electronic mail contact info : albarakaturk@albarakaturk.com.tr

The consolidated year-end financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.



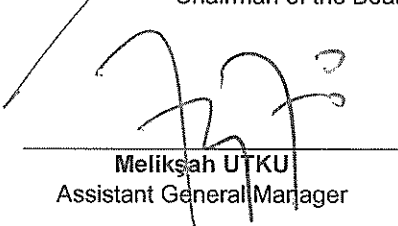

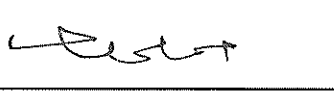
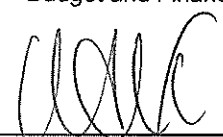

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this annual consolidated financial report are as follows.

	Subsidiaries	Associates	Joint Ventures
1.	-	-	Katılım Emeklilik ve Hayat A.Ş.

The consolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

February 20, 2014

 Adnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors	 Fahrettin YAHŞI General Manager	
 Melikşah UTKU Assistant General Manager	 Ahmet OCAK Budget and Financial Reporting Senior Manager	
 Hamad Abdulla A. EQAB Chairman of the Audit Committee	 Mitat AKTAŞ Member of the Audit Committee	 Hood Hashem Ahmed HASHEM Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

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Telephone : 00 90 216 666 02 35
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Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes related to consolidated financial statements
as at December 31, 2013
(Currency - Thousand Turkish Lira)**

Section one

General information

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (The Parent Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permit from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Undersecretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks' published in the Official Gazette dated November 1, 2006 numbered 26333 and the Parent Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Parent Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Parent Bank's head office is located in Istanbul and is operating through 166 (December 31, 2012: 136) local branches and 1 (December 31, 2012: 1) foreign branch and with 3.057 (December 31, 2012: 2.758) staff as of December 31, 2013.

The Parent Bank together with its consolidated subsidiary is referred to as the "Group" in the accompanying consolidated financial statements.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Parent Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2013, 54,06% (December 31, 2012: %54,06) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 23,08% (December 31, 2012: %22,97) of the shares are publicly traded and quoted on Borsa Istanbul.

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to consolidated financial statements
as at December 31, 2013
(Currency - Thousand Turkish Lira)

III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Parent Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD)	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
Members of BOD	Yalçın ÖNER	Vice Chairman of BOD	Master	0,0006
	İbrahim Fayez Humaid ALSHAMSİ	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	-
	Prof.Dr. Ekrem PAKDEMİRLİ	Member of BOD	Doctorate	(*) 0,0000
	Mitat AKTAŞ	Member of BOD	Master	(*) 0,0000
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	(*) 0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	(*) 0,0000
	Khalifa Taha HAMOOD	Member of BOD	Bachelor	(*) 0,0000
	Ass. Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
General Manager	Fahrettin YAHŞİ	Member of BOD /General Manager	Master	-
Assistant General Managers	Mehmet Ali VERÇİN	Corporate Marketing, Treasury Marketing, Investment Projects	Bachelor	-
	Nihat BOZ	Legal Advisory, Legal Follow-up	Bachelor	-
	Temel HAZIROĞLU	Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Financial Affairs	Bachelor	0,0048
	Bülent TABAN	Commercial Marketing, Commercial Products Management, Regional Offices	Master	0,0342
	Turgut SİMITÇİOĞLU	Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up	Master	-
	Melikşah UTKU	Project Management, Software Development, IT Support, IT Strategy & Governance, Budget & Financial Reporting	Master	-
	Mahmut Esfa EMEK	Corporate Credits, Commercial Credits, Retail Credits, Credit Management & Monitoring	Bachelor	-
	Ayhan KESER	Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions	Bachelor	-
Audit Committee	Hamad Abdulla A. EQAB	Chairman of Audit Committee	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	(*) 0,0000
	Mitat AKTAŞ	Member of Audit Committee	Master	(*) 0,0000

(*) The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0396% of the Parent Bank's share capital (December 31,2012: 0,0396%).

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes related to consolidated financial statements
as at December 31, 2013
(Currency - Thousand Turkish Lira)**

IV. Information on the Parent Bank's qualified shareholders:

The Parent Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below:

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	% 54,06	486.523	-

V. Summary on the Parent Bank's service activities and field of operations:

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Parent Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under five different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included) and one year and more than one year (with monthly, quarterly, semi annual and annual profit share payment).

The Parent Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Parent Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Parent Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz, Aviva Sigorta, Neova Sigorta, Zurich Sigorta, Ankara Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik and Avivasa Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Parent Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Parent Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Parent Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes related to consolidated financial statements
as at December 31, 2013
(Currency - Thousand Turkish Lira)**

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and Short Explanation about the Institutions Subject to Full or Proportional Consolidation and Institutions which are deducted from Equity or not included in These Three Methods:

The Parent Bank did not consolidate the financial statements of its subsidiary Bereket Varlık Kiralama A.Ş. and its associate Kredi Garanti Fonu A.Ş. considering the materiality principle and its insignificant influence over the associate, respectively and the related subsidiary and associate are carried at cost in the accompanying financial statements. Moreover, the financial statements of the Parent Bank's special purpose entity, Albaraka Türk Sukuk Limited, which is not a subsidiary but over which the Parent Bank exercises 100% control, are not consolidated in the accompanying financial statements considering the materiality principle. Katılım Emeklilik ve Hayat A.Ş, an entity under common control, is consolidated through equity method in the consolidated financial statements.

VII. The Existing or Potential, Actual or Legal Obstacles on Immediate Transfer of Equity or Reimbursement of Liabilities between the Parent Bank and Its Subsidiaries:

Immediate transfer of equity between the Parent Bank and its subsidiaries is not an issue.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

Section two

The consolidated financial statements

- I. Consolidated Balance sheet (Statement of financial position)
- II. Consolidated Statement of off-balance sheet commitments
- III. Consolidated Statement of income
- IV. Consolidated Statement of income and expense items accounted under shareholders' equity
- V. Consolidated Statement of changes in shareholders' equity
- VI. Consolidated Statement of cash flows
- VII. Statement of profit appropriation

**ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION)**

ASSETS	Notes (Section Five-I)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	246.414	2.036.267	2.282.681	122.743	1.177.900	1.300.643
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	(2)	4.769	22	4.791	6.192	-	6.192
2.1 Trading Financial Assets		4.769	22	4.791	6.192	-	6.192
2.1.1 Public Sector Debt Securities		-	-	-	-	-	-
2.1.2 Equity Securities		4.764	-	4.764	4.609	-	4.609
2.1.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
2.1.4 Other Marketable Securities		5	22	27	1.583	-	1.583
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	625.878	752.830	1.378.708	643.330	393.782	1.037.112
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	127.575	113.315	240.890	104.749	47.820	152.569
5.1 Equity Securities		15	1.528	1.543	-	1.269	1.269
5.2 Public Sector Debt Securities		117.550	83.973	201.523	104.749	46.551	151.300
5.3 Other Marketable Securities		10.010	27.814	37.824	-	-	-
VI. LOANS AND RECEIVABLES	(5)	10.403.976	1.583.604	11.987.580	7.907.609	1.150.795	9.058.404
6.1 Loans and Receivables		10.377.759	1.583.581	11.961.340	7.882.729	1.150.795	9.033.524
6.1.1 Loans to Risk Group of The Bank		1.504	-	1.504	34.262	-	34.262
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		10.376.255	1.583.581	11.959.836	7.848.467	1.150.795	8.999.262
6.2 Non-performing loans		278.968	700	279.668	221.404	1.145	222.549
6.3 Specific Provisions (-)		252.751	677	253.428	196.524	1.145	197.669
VII. INVESTMENTS HELD TO MATURITY (net)	(6)	745.390	-	745.390	356.879	8.936	365.815
VIII. INVESTMENTS IN ASSOCIATES (net)	(7)	4.211	-	4.211	4.211	-	4.211
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4.211	-	4.211	4.211	-	4.211
8.2.1 Financial Associates		4.211	-	4.211	4.211	-	4.211
8.2.2 Non-Financial Associates		-	-	-	-	-	-
IX. SUBSIDIARIES (net)	(8)	250	-	250	50	-	50
9.1 Unconsolidated Financial Subsidiaries		250	-	250	50	-	50
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
X. JOINT VENTURES (net)	(9)	5.064	-	5.064	-	-	-
10.1 Accounted for under Equity Method		5.064	-	5.064	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial Joint Ventures		-	-	-	-	-	-
10.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XI. LEASE RECEIVABLES	(10)	72.321	-	72.321	41.659	-	41.659
11.1 Finance Lease Receivables		85.893	-	85.893	51.494	-	51.494
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		13.572	-	13.572	9.835	-	9.835
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
12.1 Fair Value Hedge		-	-	-	-	-	-
12.2 Cash Flow Hedge		-	-	-	-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (net)	(12)	378.689	1.925	380.614	292.493	1.844	294.337
XIV. INTANGIBLE ASSETS (net)	(13)	15.335	594	15.929	6.497	555	7.052
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		15.335	594	15.929	6.497	555	7.052
XV. INVESTMENT PROPERTY (net)	(14)	-	-	-	-	-	-
XVI. TAX ASSET	(15)	10.914	-	10.914	10.400	-	10.400
16.1 Current Tax Asset		2.558	-	2.558	2.482	-	2.482
16.2 Deferred Tax Asset		8.356	-	8.356	7.918	-	7.918
XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(16)	28.253	154	28.407	10.714	-	10.714
17.1 Assets Held for Sale		28.253	154	28.407	10.714	-	10.714
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(17)	56.113	2.254	58.367	37.859	637	38.496
TOTAL ASSETS		12.725.152	4.490.965	17.216.117	9.545.385	2.782.269	12.327.654

The accompanying explanations and notes are an integral part of these financial statements.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION)**

LIABILITIES	Notes (Section Five-II)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	7.518.851	5.007.361	12.526.212	5.535.572	3.689.446	9.225.018
1.1 Funds from Risk Group of The Bank		23.152	170.967	194.119	65.574	165.908	231.482
1.2 Other		7.495.699	4.836.394	12.332.093	5.469.998	3.523.538	8.993.536
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	2.804	-	2.804	-	-	-
III. FUNDS BORROWED	(3)	-	2.035.816	2.035.816	-	1.393.830	1.393.830
IV. BORROWINGS FROM MONEY MARKETS		144.775	-	144.775	-	-	-
V. SECURITIES ISSUED (net)		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES		307.767	21.407	329.174	304.153	12.245	316.398
VII. OTHER LIABILITIES	(4)	-	-	-	-	-	-
VIII. LEASE PAYABLES	(5)	-	-	-	-	-	-
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operational Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-	-	-	-
9.1 Fair Value Hedge		-	-	-	-	-	-
9.2 Cash Flow Hedge		-	-	-	-	-	-
9.3 Net Foreign Investment Hedge		-	-	-	-	-	-
X. PROVISIONS	(7)	146.944	54.519	201.463	111.101	24.717	135.818
10.1 General Provisions		89.117	24.591	113.708	81.488	21.612	103.100
10.2 Restructuring Reserves		-	-	-	-	-	-
10.3 Reserve for Employee Benefits		39.465	-	39.465	19.245	-	19.245
10.4 Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5 Other Provisions		18.362	29.928	48.290	10.368	3.105	13.473
XI. TAX LIABILITY	(8)	46.033	35	46.068	38.256	1	38.257
11.1 Current Tax Liability		46.033	35	46.068	38.256	1	38.257
11.2 Deferred Tax Liability		-	-	-	-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(9)	-	-	-	-	-	-
12.1 Assets Held for Sale		-	-	-	-	-	-
12.2 Assets of Discontinued Operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(10)	-	432.973	432.973	-	-	-
XIV. SHAREHOLDERS' EQUITY	(11)	1.501.363	(4.531)	1.496.832	1.218.406	(73)	1.218.333
14.1 Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2 Capital Reserves		97.311	(4.531)	92.780	56.760	(73)	56.687
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		(211)	(4.531)	(4.742)	1.266	(73)	1.193
14.2.4 Revaluation Reserve on Tangible Assets		96.712	-	96.712	55.522	-	55.522
14.2.5 Revaluation Reserve on Intangible Assets		-	-	-	-	-	-
14.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		810	-	810	(28)	-	(28)
14.3 Profit Reserves		261.645	-	261.645	68.920	-	68.920
14.3.1 Legal Reserves		59.602	-	59.602	49.966	-	49.966
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		202.043	-	202.043	18.954	-	18.954
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		242.407	-	242.407	192.726	-	192.726
14.4.1 Prior Years Profit / (Loss)		1.434	-	1.434	891	-	891
14.4.2 Current Year Profit / (Loss)		240.973	-	240.973	191.835	-	191.835
14.5 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES		9.668.537	7.547.580	17.216.117	7.207.488	5.120.166	12.327.654

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS

	Notes (Section Five-III)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)	(1)	4.064.280	3.567.122	7.631.402	3.737.941	2.617.485	6.355.426
I. GUARANTEES AND SURETIES		2.956.853	3.207.014	6.163.867	2.859.471	2.353.810	5.213.281
1.1. Letters of Guarantees		2.947.334	2.284.564	5.231.898	2.852.364	1.682.435	4.534.799
1.1.1. Guarantees Subject to State Tender Law		92.207	23.278	115.485	149.051	15.888	164.939
1.1.2. Guarantees Given for Foreign Trade Operations		280	814.268	814.548	20	795.286	795.306
1.1.3. Other Letters of Guarantee		2.854.847	1.447.018	4.301.865	2.703.293	871.261	3.574.554
1.2. Bank Loans		-	23.524	23.524	-	15.490	15.490
1.2.1. Import Letter of Acceptances		-	23.524	23.524	-	15.490	15.490
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		-	482.011	482.011	6.296	471.537	477.833
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		-	482.011	482.011	6.296	471.537	477.833
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		937	355.427	356.364	-	168.039	168.039
1.7. Other Collaterals		8.582	61.488	70.070	811	16.309	17.120
II. COMMITMENTS	(1)	813.111	63.108	876.219	878.470	263.675	1.142.145
2.1. Irrevocable Commitments		813.111	63.108	876.219	878.470	263.675	1.142.145
2.1.1. Asset Purchase and Sale Commitments		2.401	62.982	65.383	265.158	263.575	528.733
2.1.2. Share Capital Commitment to Associates and Subsidiaries		5.000	-	5.000	-	-	-
2.1.3. Loan Granting Commitments		45.428	-	45.428	39.577	-	39.577
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		297.235	-	297.235	263.656	-	263.656
2.1.7. Tax And Fund Liabilities from Export Commitments		1.445	-	1.445	1.043	-	1.043
2.1.8. Commitments for Credit Card Expenditure Limits		458.540	-	458.540	306.032	-	306.032
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		369	-	369	323	-	323
2.1.10. Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		2.693	126	2.819	2.681	100	2.781
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	294.316	297.000	591.316	-	-	-
3.1. Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		294.316	297.000	591.316	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		294.316	297.000	591.316	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		294.316	-	294.316	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	297.000	297.000	-	-	-
3.2.2. Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		22.641.233	3.855.845	26.497.078	18.914.892	2.365.084	21.279.976
IV. ITEMS HELD IN CUSTODY		1.660.275	1.293.437	2.953.712	1.313.127	662.365	1.975.492
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		72	-	72	72	-	72
4.3. Cheques Received for Collection		701.874	89.326	791.200	626.896	51.715	678.611
4.4. Commercial Notes Received for Collection		235.972	23.262	259.234	230.109	19.014	249.123
4.5. Other Assets Received for Collection		104	-	104	105	-	105
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	720.711	720.711	-	253.338	253.338
4.8. Custodians		722.253	460.138	1.182.391	455.945	338.298	794.243
V. PLEDGED ITEMS		20.980.958	2.562.408	23.543.366	17.601.765	1.702.719	19.304.484
5.1. Marketable Securities		689.548	714.909	1.404.457	444.122	193.889	638.011
5.2. Guarantee Notes		1.415.238	172.025	1.587.263	1.225.294	163.687	1.388.981
5.3. Commodity		762.432	321.208	1.083.640	485.124	242.477	727.601
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		16.616.802	787.750	17.404.552	14.424.663	706.303	15.130.966
5.6. Other Pledged Items		1.448.353	542.198	1.990.551	995.139	376.727	1.371.866
5.7. Pledged Items-Depository		48.585	24.318	72.903	27.423	19.636	47.059
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		26.705.513	7.422.967	34.128.480	22.652.833	4.982.569	27.635.402

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME

INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	THOUSAND TURKISH LIRA	
		CURRENT PERIOD 01/01/2013- 31/12/2013)	PRIOR PERIOD (01/01/2012- 31/12/2012)
I. PROFIT SHARE INCOME	(1)	1.153.336	996.828
1.1 Profit Share on Loans		1.095.102	966.404
1.2 Income Received from Reserve Deposits		-	-
1.3 Income Received from Banks		1.680	1.712
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		51.985	24.801
1.5.1 Held-For-Trading Financial Assets		-	-
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Available-For-Sale Financial Assets		10.361	6.126
1.5.4 Investments Held to Maturity		41.624	18.675
1.6 Finance Lease Income		4.569	3.896
1.7 Other Profit Share Income		-	15
II. PROFIT SHARE EXPENSE	(2)	528.160	510.930
2.1 Expense on Profit Sharing Accounts		464.403	479.892
2.2 Profit Share Expense on Funds Borrowed		59.166	30.549
2.3 Profit Share Expense on Money Market Borrowings		4.591	489
2.4 Profit Share Expense on Securities Issued		-	-
2.5 Other Profit Share Expense		-	-
III. NET PROFIT SHARE INCOME (I – II)		625.176	485.898
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		113.197	113.353
4.1 Fees and Commissions Received		141.295	135.585
4.1.1 Non-Cash Loans		82.354	77.846
4.1.2 Other		58.941	57.739
4.2 Fees and Commissions Paid	(12)	28.098	22.232
4.2.1 Non-Cash Loans		518	423
4.2.2 Other	(12)	27.580	21.809
V. DIVIDEND INCOME	(3)	459	788
VI. TRADING INCOME/LOSS(net)	(4)	37.181	20.397
6.1 Capital Market Transaction Income / (Loss)		18	(175)
6.2 Income / (Loss) from Derivative Financial Instruments		(2.804)	-
6.3 Foreign Exchange Income / (Loss)		39.967	20.572
VII. OTHER OPERATING INCOME	(5)	118.814	85.122
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		894.827	705.558
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	190.883	122.412
X. OTHER OPERATING EXPENSES (-)	(7)	404.401	341.921
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		299.543	241.225
XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER		-	-
XIII. INCOME / (LOSS) ON EQUITY METHOD		(436)	-
XIV. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	299.107	241.225
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(58.134)	(49.390)
16.1 Provision for Current Taxes		(67.827)	(54.181)
16.2 Provision for Deferred Taxes		9.693	4.791
XVII. NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	240.973	191.835
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Assets Held For Sale		-	-
18.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
18.3 Income from Other Discontinued Operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
19.3 Loss from Other Discontinued Operations		-	-
XX. INCOME / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)	-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Provision for Current Taxes		-	-
21.2 Provision for Deferred Taxes		-	-
XXII. NET INCOME / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET INCOME / LOSS (XVII±XXII)	(11)	240.973	191.835
23.1 Group's Income/Loss		240.973	191.835
23.2 Minority Interest		-	-
Earnings Per Share (Full TL)		0,268	0,213

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	THOUSAND TURKISH LIRA	
	CURRENT PERIOD (01/01/2013-31/12/2013)	PRIOR PERIOD (01/01/2012-31/12/2012)
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	(7.419)	3.289
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	53.265	24.090
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	502	354
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	11	(10)
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	420	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(9.253)	(5.476)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	37.526	22.247
XI. PROFIT/LOSS	240.973	191.835
11.1 Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	-	-
11.2 Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement	-	-
11.3 Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement	-	-
11.4 Other	240.973	191.835
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	278.499	214.082

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Income / (Loss)	Prior Year Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
PRIOR PERIOD (01/01/2012-31/12/2012)																	
I. Beginning balance	(V)	539.000	-	-	-	39.160	-	229.891	(392)	160.155	715	(1.438)	37.150	-	-	-	1.004.251
Changes in Period Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	3.289	-	-	-	-	3.289
IV. 4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	24.000	-	-	-	24.000
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	354	-	-	-	-	-	-	-	354
X. Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		361.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	(61)	-	(350.939)	-	-	-	-	-	-	-	-	-
12.2 Internal Sources		361.000	-	-	-	(61)	-	(350.939)	-	-	-	-	-	-	-	-	-
XIII. Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Initiation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period Net Income/(Loss)		-	-	-	-	2.824	-	(2.824)	-	-	890	(658)	(5.718)	-	-	-	(5.486)
XVIII. Profit Distribution		-	-	-	-	-	-	-	-	191.835	-	-	-	-	-	-	191.835
18.1 Dividends Distributed		-	-	-	-	8.043	-	152.826	-	(160.155)	(714)	-	-	-	-	-	-
18.2 Transfers To Reserves		-	-	-	-	-	-	-	-	-	(160.869)	-	-	-	-	-	-
18.3 Other		-	-	-	-	8.043	-	152.826	-	(160.155)	160.155	-	-	-	-	-	-
Closing Balance		900.000	-	-	-	49.956	-	18.954	(20)	191.835	891	1.193	55.522	-	-	-	1.218.333
(I+II+III+...+XVI+XVII+XVIII)																	

The accompanying explanations and notes are an integral part of these financial statements.
(10)

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
CURRENT PERIOD (01/01/2013-31/12/2013)																	
I. Beginning balance	(V)	900.000	-	-	-	49.966	-	10.954	(28)	191.835	891	1.193	55.522	-	-	-	1.218.333
Changes In Period Increase/Decrease Related to		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(7.419)	-	-	-	-	(7.419)
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	53.551	-	-	-	53.551
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	502	-	-	-	-	-	-	-	502
IX. Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	(286)	-	-	-	(286)
X. Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Initiation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	336	-	1.433	1.484	(12.075)	-	-	-	(8.822)
XVI. Other		-	-	-	-	-	-	-	-	240.973	-	-	-	-	-	-	240.973
XVII. Period Net Income/(Loss)		-	-	-	-	-	-	183.089	-	(191.835)	(890)	-	-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	9.636	-	-	-	-	-	-	-	-	-	-	-
18.1. Dividends Distributed		-	-	-	-	-	-	-	-	-	(192.725)	-	-	-	-	-	-
18.2. Transfers To Reserves		-	-	-	-	9.636	-	183.089	-	(191.835)	191.835	-	-	-	-	-	-
18.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000	-	-	-	59.602	-	202.043	810	240.973	1.434	(4.742)	96.712	-	-	-	1.496.832

The accompanying explanations and notes are an integral part of these financial statements. (11)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS

		THOUSAND TURKISH LIRA	
		CURRENT PERIOD (01/01/2013-31/12/2013)	PRIOR PERIOD (01/01/2012-31/12/2012)
STATEMENT OF CASH FLOWS	Notes		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets And Liabilities		934.859	479.835
1.1.1 Profit Share Income Received		1.034.359	944.634
1.1.2 Profit Share Expense Paid		(508.675)	(508.708)
1.1.3 Dividend Received		459	788
1.1.4 Fees and Commissions Received		232.147	224.593
1.1.5 Other Income		110.815	76.196
1.1.6 Collections from Previously Written Off Loans	(V-I-5,h2)	108.240	27.639
1.1.7 Payments to Personnel and Service Suppliers		(227.302)	(200.912)
1.1.8 Taxes Paid		(74.955)	(69.531)
1.1.9 Others	(V-VI-3)	259.771	(14.864)
1.2 Changes in operating assets and liabilities		(520.308)	(1.189.835)
1.2.1 Net (Increase) Decrease in Available For Sale Financial Assets		1.401	(1.390)
1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.3 Net (Increase) Decrease in Due From Banks and Other Financial Institutions		(863.125)	(447.756)
1.2.4 Net (Increase) Decrease in Loans		(2.739.115)	(1.981.802)
1.2.5 Net (Increase) Decrease in Other Assets		39.392	44.036
1.2.6 Net Increase (Decrease) in Funds Collected From Banks		-	-
1.2.7 Net Increase (Decrease) in Other Funds Collected		2.713.238	1.165.138
1.2.8 Net Increase (Decrease) in Funds Borrowed		358.600	-
1.2.9 Net Increase (Decrease) in Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	(V-VI-3)	(30.699)	31.939
I. Net Cash Flow From Banking Operations		414.551	(710.000)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(513.180)	(29.805)
2.1 Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(5.700)	(1.211)
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Fixed Assets Purchases	(V-I-12, 13,16)	(131.034)	(60.872)
2.4 Fixed Assets Sales	(V-I-12, 13,16)	46.426	12.356
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(118.921)	(113.299)
2.6 Cash Obtained from Sale of Financial Assets Available for Sale		34.000	50.000
2.7 Cash Paid for Purchase of Investment Securities	(V-I-6.4)	(429.378)	(300.000)
2.8 Cash Obtained from Sale of Investment Securities	(V-I-6.4)	91.427	383.221
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		518.434	333.893
3.1 Cash Obtained from Funds Borrowed and Securities Issued		1.538.137	936.239
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(1.019.703)	(602.346)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(V-VI-3)	100.043	2.065
V. Net (Decrease) Increase in Cash and Cash Equivalents		519.848	(403.847)
VI. Cash and Cash Equivalents at the Beginning of the Period	(V-VI-i)	1.362.144	1.765.991
VII. Cash and Cash Equivalents at the End of the Period	(V-VI-ii)	1.881.992	1.362.144

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi**Notes related to consolidated financial statements
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STATEMENT OF PROFIT APPROPRIATION(****)	THOUSAND TURKISH LIRA	
	CURRENT PERIOD (*) (31/12/2013)	PRIOR PERIOD (31/12/2012)
I. Distribution of current year income		
1.1. Current year income (****)	300.977	242.116
1.2. Taxes and duties payable (-)	58.134	49.390
1.2.1. Corporate tax (Income tax)	67.827	54.181
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	(9.693)	(4.791)
A. Net income for the year (1.1-1.2)	242.843	192.726
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	9.636
1.5. Other statutory reserves (-)	-	-
B. Distributable net period income [(A-(1.3+1.4+1.5)) (*)]	242.843	183.090
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	183.090
1.13. Other reserves	-	-
1.14. Special funds	-	-
II. Distribution from reserves		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares (***) (Full TL)	0,270	0,214
3.2. To owners of ordinary shares (%)	27,0	21,4
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
IV. Dividend per share		
4.1. To owners of ordinary shares (Full TL)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.3. To owners of preferred shares (%)	-	-

(*) General Assembly of the Parent Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements

(**) Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit distribution, thus it is classified under extraordinary reserves.

(***) Calculated by using the number of share certificates as of year-end.

(****) Current year income includes previous years profit and current year profit.

(*****) Statement of Profit Appropriation has been prepared according to unconsolidated financial statements of the Parent Bank.

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Section three

Accounting policies

I. Explanations on basis of presentation:

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. Consolidated financial statements as of December 31, 2013 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity Method. The accompanying financial statements as of December 31, 2012 are unconsolidated financial statements of the parent Bank. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained in Notes II and XXIII below.

TAS/TFRS changes which are effective from January 1, 2013 (TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment), TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income, TAS 19 Employee Benefits (Amended), TAS 27 Separate Financial Statements (Amended), TAS 28 Investments in Associates and Joint Ventures (Amended), TFRS 10 Consolidated Financial Statements, TFRS 11 Joint Arrangements, TFRS 12 Disclosure of Interests in Other Entities, TFRS 13 Fair Value Measurement) do not have a significant effect on the Group's accounting policies, financial position or performance. The effects of changes introduced by TFRS 13 and TFRS 9, which are not effective yet, are evaluated by the Parent Bank.

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I. Explanations on basis of presentation (continued):

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated December 30, 2012 numbered 28513 , the effective date of the mentioned Communiqué has been changed as December 31, 2014 which was previously January 1, 2013) "Financial Instruments" before January 1, 2015. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the consolidated financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit and loss, financial assets-available for sale and immovables which are reflected at fair values.

The preparation of the consolidated financial statements according to TAS requires the Group's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

c. Restatement of the financial statements according to the current purchasing power of money:

The BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Group creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Parent Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

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II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

Since the Parent Bank provides full specific provision (except foreign branch) for the Parent Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Group.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

III. Information on consolidated associates:

a) Consolidation Principles on joint ventures:

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, Numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	Private pension and insurance	50,00	50,00

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III. Information on consolidated associates (continued):

b) Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

IV. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Group consist of forward foreign currency agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments .

The Group's derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

As of the balance sheet date, there are no embedded derivatives and no derivative instruments formed through separation from the host contract.

V. Explanations on profit share income and expenses:

Profit share income

Profit share income is accounted in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans", the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

Profit share expense

The Parent Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

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VI. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/ paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account 'Deferred Revenues' and included in 'Miscellaneous Payables' in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related non-cash loans commissions directly as income.

VII. Explanations on financial assets:

The Group categorizes its financial assets as 'Financial Assets at Fair Value through Profit and Loss, 'Financial Assets Available for Sale', 'Loans and Receivables' or 'Financial Assets Held to Maturity'. Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Group is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

Financial assets at fair value through profit or loss; This category has two sub categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2013, the Parent Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.

Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Albaraka Türk Katılım Bankası Anonim Şirketi

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VII. Explanations on financial assets (continued):

Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks".

Held to maturity financial assets:

Held to maturity financial assets are financial assets that are not classified under 'Loans and receivables' with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

VIII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as 'Provision for Loan Losses and Other Receivables' in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

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VIII. Explanations on impairment of financial assets (continued):

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

IX. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

There are no such offset of financial assets and liabilities.

X. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss," available-for-sale" and "held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Group has no securities lending transactions.

XI. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Group has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized.

A discontinued operation is a part of the Group's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Group has no discontinued operations.

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XII. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Bank's intangible assets consist of softwares and intangible rights.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

XIII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent Bank has made a change in accounting policy and adopted revaluation model for immovables in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2013, the Parent Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	%
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Operational lease improvement costs (Leasehold improvements)	Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

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XIII. Explanations on tangible assets (continued):

If there is an indication for impairment, the Group estimates the recoverable amount of the tangible asset in accordance with TAS 36 'Impairment of Assets' and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

XIV. Explanations on leasing transactions:

Transactions as a lessee

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

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

Transactions as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

XV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events, it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

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XVI. Explanations on liabilities regarding employee benefits:

i) *Defined benefit plans:*

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated in accordance with TAS 19 "Employee Benefits" by using the "projection method" and based upon factors derived using the Group's experience with respect to completion of service period and eligibility to receive retirement pay and which is discounted by using the current market yield rate of government bonds at the balance sheet date. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised TAS 19 standard.

The Group's employees are not members of any pension fund, foundations, union or other similar entities.

ii) *Defined contribution plans:*

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) *Short term benefits to employees:*

In accordance with TAS 19, vacation pay liabilities are classified as "Short Term Benefits to Employees" and accrued in the period they are earned and are not discounted.

XVII. Explanations on taxation:

Current tax:

The Group is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

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XVII. Explanations on taxation (continued):

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Transfer pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the aforementioned regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

XVIII. Additional explanations on borrowings:

The Group records borrowings in accordance with TAS 39 'Financial Instruments: Recognition and Measurement'. Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

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XIX. Explanations on issued share certificates:

None.

XX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

XXI. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Group.

XXII. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Group may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XIII.

XXIII. Explanations on other matters:

None.

XXIV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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Section four

Information on financial structure and risk management

I. Explanations on the consolidated capital adequacy standard ratio:

Capital adequacy ratio calculations are made in accordance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (Regulation) published in the Official Gazette no.28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2013, the Group's consolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 14,82 (Parent Bank % 14,86) (Prior Period- 13,03%;Parent Bank).

a) Risk measurement methods used in the calculation of capital adequacy standard ratio:

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette no.28337 dated June 28, 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated November 1, 2006.

In the calculation of capital adequacy ratio the Group applies standard method for market risk, basic indicator method for operational risk and standard method for credit risk.

In the calculation of capital adequacy ratio, the data composed from accounting records prepared in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

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Notes related to consolidated financial statements
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I. Explanations on consolidated capital adequacy standard ratio (continued):**b) Information on capital adequacy standard ratio:**

Parent Bank									
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	2.798.802	-	1.668.904	4.148.225	1.858.384	7.521.705	19.132	19.936	42
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.653.721	-	12.446	83.973	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	74.313	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.032.874	365.919	1.062	147.169	-	-	-
Conditional and unconditional receivables from corporates	-	-	403.229	18.054	-	6.915.988	-	-	-
Conditional and unconditional retail receivables	-	-	113.050	171	1.857.322	29.205	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.798	3.665.988	-	-	-	-	-
Past due receivables	-	-	-	14.120	-	10.945	800	-	-
Receivables defined in high risk category by BRSA	-	-	1.380	-	-	-	18.332	19.936	42
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	27.814	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	145.081	-	-	-	-	418.398	-	-	-

On the table, the collateralized credit amounts are included to risk weights based on related risk categories.

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I. Explanations on consolidated capital adequacy standard ratio (continued):

Consolidated									
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	2.798.802	-	1.668.904	4.148.225	1.858.384	7.516.205	19.132	19.936	42
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.653.721	-	12.446	83.973	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	74.313	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.032.874	365.919	1.062	147.169	-	-	-
Conditional and unconditional receivables from corporates	-	-	403.229	18.054	-	6.915.988	-	-	-
Conditional and unconditional retail receivables	-	-	113.050	171	1.857.322	29.205	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.798	3.665.988	-	-	-	-	-
Past due receivables	-	-	-	14.120	-	10.945	800	-	-
Receivables defined in high risk category by BRSA	-	-	1.380	-	-	-	18.332	19.936	42
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	27.814	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	145.081	-	-	-	-	412.898	-	-	-

c) Summary information related to capital adequacy standard ratio:

	CONSOLIDATED		PARENT BANK	
	Current Period	Prior Period	Current Period	Prior Period
A Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	910.925	661.316	911.365	661.316
B Capital Requirement for Market Risk (MRCR)	11.622	5.234	11.622	5.234
C Capital Requirement for Operational Risk (ORCR)	77.228	66.816	77.228	66.816
Shareholders' Equity	1.852.624	1.194.026	1.858.124	1.194.026
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5*100)	% 14,82	% 13,03	% 14,86	% 13,03

Albaraka Türk Katılım Bankası Anonim Şirketi**Notes related to consolidated financial statements****As at December 31, 2013****(Currency - Thousand Turkish Lira)****I. Explanations on capital adequacy standard ratio (continued):****d) Details of consolidated shareholders' equity accounts:**

	December 31 2013	December 31 2012
CORE CAPITAL		
Paid-in Capital	900.000	900.000
Nominal Capital	900.000	900.000
Capital Commitments (-)	-	-
Inflation Adjustments to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	262.455	68.892
Inflation Adjustments to Reserves	-	-
Profit	242.407	192.726
Current Period Net Profit	240.973	191.835
Prior Years' Profits	1.434	891
Provision for possible losses up to 25% of the core capital	72	108
Income on Sale of Equity Shares and Real Estate Property	-	-
Primary Subordinated Debts	-	-
Loss in excess of Reserves (-)	-	-
Current Period Net Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements on Operational Leases(-)	38.688	29.409
Intangible Assets (-)	15.929	7.052
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-	-
Amount in excess as per the 3rd Paragraph of the Article 56 of the Banking Law(-)	-	-
Total Core Capital	1.350.317	1.125.265
SUPPLEMENTARY CAPITAL		
General Loan Loss Reserves	47.378	44.750
45% of the Revaluation Reserve for Movable Fixed Assets	-	-
45% of the Revaluation Reserve for Properties	43.520	24.985
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-	-
Primary Subordinated Loans Excluded in the Calculation of The Core Capital	-	-
Secondary Subordinated Loans	424.148	-
45% of Marketable Securities Value Increase Fund	(4.742)	537
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	510.304	70.272
CAPITAL	1.860.621	1.195.537
DEDUCTIONS FROM THE CAPITAL	7.997	1.511
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Ten Percent or More of Capital	5.314	50
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Less than Ten Percent of Capital which Exceed the Ten Percent Of Bank's Core and Supplementary Capital	-	-
Secondary Subordinated Loans Granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and Placements that Possess the Nature of their Primary or Secondary Subordinated Debt	-	-
Loans Granted Being Non-Compliant with the Articles 50 and 51 of the Banking Law	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and Have Not Been Disposed Yet After 5 Years After Foreclosure	1.391	802
Securitization Positions to be Deducted from Equity	-	-
Other	1.292	659
TOTAL SHAREHOLDERS' EQUITY	1.852.624	1.194.026

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I. Explanations on capital adequacy standard ratio (continued):

e) Approaches for assessment of adequacy of internal capital requirements for current and future activities:

Charter on Internal Capital Adequacy Policy was prepared in order to define internal capital adequacy evaluation process and capital adequacy policy by the Parent Bank and was approved by the Board of Directors on October 17, 2012. The ultimate aim of such internal capital adequacy policy is to maintain capital adequacy by defining the basic principles that regulate management and implementation of internal capital adequacy, apart from exceptional circumstances.

The Parent Bank within the framework of BRSA regulations and also considering the best practices ensures the management of internal capital adequacy, pursuant to the volume, qualification and complexity of its operations. The methodology for evaluation of internal capital adequacy is considered an ongoing process and the related future studies are planned in this way.

II. Explanations on consolidated credit risk:

- (1) Credit risk represents the Parent Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Parent Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Parent Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors and are signed by the members of Loan Proposal Committee.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Parent Bank, the Parent Bank cannot grant loans above 15% of its equity to a real person or legal entity. (Exception to this decision is subject to the decision of the Board of Directors.) The Bank focuses to distribute the risk in different sectors evenly; accordingly the branches of the Bank are trying to reach companies from various sectors. In principle each branch tries to distribute overall risk in the branch evenly among sectors and development of the entities in critical sectors are observed.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained ,audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Parent Bank's credit limit renewal procedure. The Parent Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Albaraka Türk Katılım Bankası Anonim Şirketi

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II. Explanations on consolidated credit risk (continued):

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount(*)	Average Risk Amount
Conditional and unconditional receivables from central governments or central banks	2.737.694	2.216.612
Conditional and unconditional receivables from regional or local governments	64.718	5.997
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.530.141	1.270.862
Conditional and unconditional receivables from corporates	7.360.853	6.264.962
Conditional and unconditional retail receivables	2.015.090	1.825.043
Conditional and unconditional receivables secured by mortgages on property	3.669.786	3.370.855
Past due receivables	25.865	37.713
Receivables defined in high risk category by BRSA	39.690	25.090
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	22.862
Investments similar to collective investment funds	-	-
Other receivables	557.979	481.486

(*) Represents amounts, before risk mitigating factors, after risk conversion factors.

- (2) The Bank has control limits over the positions of forwards, options and similar agreements. The credit risk undertaken for such positions is managed together with the risks arising from market movements.

The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.

- (3) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Parent Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Parent Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

Albaraka Türk Katılım Bankası Anonim Şirketi**Notes related to consolidated financial statements****As at December 31, 2013****(Currency - Thousand Turkish Lira)****II. Explanations on consolidated credit risk (continued):**

- (4) The Parent Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Parent Bank itself and concentration of risk is avoided. The Bank does not carry any serious risk in this respect.

- (5) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 41% (Prior period - 38%) and 50% (Prior period - 49%) respectively.

Share of non-cash receivables of the Parent Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 48% (Prior period - 45%) and 60% (Prior period - 58%) respectively.

Share of cash and non-cash receivables of the Parent Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 36% (Prior period - 33%) and 47% (Prior period - 44%) respectively.

- (6) The Parent Bank's general provision amount for its credit risk is TL 113.708 (Prior period - TL 103.100).

- (7) Profile on significant risks in significant regions:

	Risk Categories (*)										Total
	1	2	3	4	5	6	7	8	9	10	
Current Period											
Domestic	2.750.140	74.313	1.131.441	6.992.850	1.956.742	3.631.656	25.842	39.686	-	-	16.602.670
EU Countries	-	-	121.241	28.075	3.902	9.653	-	-	-	-	162.871
OECD Countries (**)	-	-	6.249	-	-	-	-	-	-	-	6.249
Off-shore banking regions	-	-	3.767	215.991	3.654	12.334	-	-	27.814	-	263.560
USA, Canada	-	-	126.908	926	265	15.146	-	-	-	-	143.245
Other countries	-	-	157.418	99.429	35.185	997	23	4	-	-	293.056
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets/liabilities(***)	-	-	-	-	-	-	-	-	-	557.979	557.979
	2.750.140	74.313	1.547.024	7.337.271	1.999.748	3.669.786	25.865	39.690	27.814	557.979	18.029.630

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

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

(***) Assets and liabilities are not allocated on a consistent basis

- 1- Conditional and unconditional receivables from central governments or central banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from banks and brokerage houses
- 4- Conditional and unconditional receivables from corporates
- 5- Conditional and unconditional retail receivables
- 6- Conditional and unconditional receivables secured by mortgages on property
- 7- Past due receivables
- 8- Receivables defined as high risk category by the Regulator
- 9- Short term receivables from banks and brokerage houses and short term receivables from corporates
- 10- Other receivables

Albaraka Türk Katılım Bankası Anonim Şirketi

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II. Explanations on consolidated credit risk (continued):

Risk Profile according to sectors and counterparties:

Sectors / Counterparties		Risk Categories										TL	FC	Total
		1	2	3	4	5	6	7	8	9	10			
1	Agriculture	-	-	-	122.370	56.605	62.752	82	-	-	-	158.860	82.949	241.809
1.1	Farming and stockbreeding	-	-	-	107.585	49.946	56.274	40	-	-	-	147.139	66.706	213.845
1.2	Forestry	-	-	-	14.692	5.155	6.478	39	-	-	-	10.952	15.412	26.364
1.3	Fishery	-	-	-	93	1.504	-	3	-	-	-	769	831	1.600
2	Manufacturing	-	3.924	-	3.461.285	789.332	1.161.791	11.251	-	-	-	2.687.562	2.740.021	5.427.583
2.1	Mining	-	2.450	-	77.698	13.384	20.409	125	-	-	-	36.942	77.124	114.066
2.2	Production	-	1.474	-	2.659.316	749.586	1.108.821	9.641	-	-	-	2.279.532	2.249.306	4.528.838
2.3	Electricity, gas, water	-	0	-	724.271	26.362	32.561	1.485	-	-	-	371.088	413.591	784.679
3	Construction	-	65.795	-	1.933.312	286.218	946.378	8.394	-	-	-	1.855.265	1.384.832	3.240.097
4	Services	2.750.140	1.201	1.547.024	1.523.835	388.413	449.575	3.888	-	27.814	-	4.374.845	2.317.045	6.691.890
4.1	Wholesale and retail trade	-	1.181	-	653.663	233.146	267.314	3.570	-	-	-	610.649	548.225	1.158.874
4.2	Hotel, food and beverage services	-	-	-	22.258	15.263	10.174	1	-	-	-	29.027	18.669	47.696
4.3	Transportation and telecommunication	-	-	-	95.195	36.940	27.731	257	-	-	-	70.546	89.577	160.123
4.4	Financial institutions	2.750.140	-	1.547.024	493.374	29.824	84.786	-	-	27.814	-	3.450.866	1.482.096	4.932.962
4.5	Real estate and renting services	-	-	-	50.267	19.826	41.442	54	-	-	-	56.847	54.542	111.389
4.6	Self-employment services	-	20	-	131.730	28.070	5.959	6	-	-	-	90.464	75.321	165.785
4.7	Education services	-	-	-	7.916	956	1.530	-	-	-	-	6.906	3.496	10.402
4.8	Health and social services	-	-	-	69.432	24.588	10.639	-	-	-	-	59.540	45.119	104.659
5	Other	-	3.393	-	296.469	479.180	1.049.290	2.250	39.690	-	557.979	1.925.732	502.519	2.428.251
6	Total	2.750.140	74.313	1.547.024	7.337.271	1.999.748	3.669.786	25.865	39.690	27.814	557.979	11.002.264	7.027.366	18.029.630

1- Conditional and unconditional receivables from central governments or central banks

2- Conditional and unconditional receivables from regional or local governments

3- Conditional and unconditional receivables from banks and brokerage houses

4- Conditional and unconditional receivables from corporates

5- Conditional and unconditional retail receivables

6- Conditional and unconditional receivables secured by mortgages on property

7- Past due receivables

8- Receivables defined in high risk category by BRSA

9- Short term receivables from banks and brokerage houses and short term receivables from corporates

10- Other Receivables

Albaraka Türk Katılım Bankası Anonim Şirketi

**Notes related to consolidated financial statements
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II. Explanations on consolidated credit risk (continued):

Distribution of risks with term structure according to remaining maturities:

Risk Categories	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	1 year and over
Receivables from central governments or central banks	1.789.490	-	-	386.400	574.250
Receivables from regional or local governments	11.483	5.768	8.431	16.942	31.689
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-
Receivables from banks and brokerage houses	1.473.091	24.067	12.621	20.520	16.725
Conditional and unconditional receivables from corporates	1.064.771	889.168	1.207.453	1.607.628	2.568.251
Conditional and unconditional retail receivables	244.335	299.122	341.391	419.147	695.753
Conditional and unconditional receivables secured by mortgages on property	418.460	501.776	632.190	747.312	1.370.048
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	5.033	34.657
Securities collateralized by mortgages	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL	5.029.444	1.719.901	2.202.086	3.202.982	5.291.373

- (8) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

Risk Weights		%0	%10	%20	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	2.798.802	-	1.115.140	502.719	3.478.526	10.095.333	19.132	19.936	42	7.997
2	Amount after credit risk mitigation	2.798.802	-	1.668.904	4.148.225	1.858.384	7.516.205	19.132	19.936	42	7.997

Albaraka Türk Katılım Bankası Anonim Şirketi

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II. Explanations on consolidated credit risk (continued):

- (9) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

Sectors / Counterparties	Loans			
	Impaired Loans	Past Due	Value Adjustments	Provisions
1 Agriculture	9.279	2.427	52	8.917
1.1 Farming and stockbreeding	4.543	2.082	43	4.450
1.2 Forestry	4.494	345	9	4.228
1.3 Fishery	242	-	-	239
2 Manufacturing	119.216	137.551	3.065	107.523
2.1 Mining	3.486	1.033	39	3.356
2.2 Production	110.220	73.881	1.773	100.222
2.3 Electricity, gas, water	5.510	62.637	1.253	3.945
3 Construction	87.025	33.765	730	79.817
4 Services	39.714	278.250	5.711	34.158
4.1 Wholesale and retail trade	28.603	201.355	4.142	23.870
4.2 Hotel, food and beverage services	237	1.216	24	236
4.3 Transportation and telecommunication	4.316	47.028	945	4.080
4.4 Financial institutions	227	7.262	145	227
4.5 Real estate and renting services	1.214	2.430	67	1.173
4.6 Self-employment services	4.600	15.641	313	4.075
4.7 Education services	10	37	1	10
4.8 Health and social services	507	3.281	74	487
5 Other	24.434	66.792	1.390	23.013
6 Total	279.668	518.785	10.948	253.428

(10) Information related to value adjustments and credit provisions:

	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1 Specific Provisions	197.669	155.871(**)	(106.914)(**)	6.802	253.428
2 General Provisions	103.100	10.588	(4.833)	4.853	113.708

(*)Determined according to currency differences.

(**) Related balance includes reversal of provisions regarding write-off's in the amount of TL 13.897

(***) Related balance includes reversal of provisions made within the same period in the amount of TL 9.806

Albaraka Türk Katılım Bankası Anonim Şirketi

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II. Explanations on consolidated credit risk (continued):

The table below presents the maximum exposure to credit risk for the components of the financial statements:

	Current period	Prior period
Central Bank of the Republic of Turkey	2.148.514	1.126.363
Trading financial assets	27	1.583
Due from banks	1.378.708	1.037.112
Available-for-sale financial assets	239.347	151.300
Loans	11.987.580	9.058.404
Held to maturity investments	745.390	365.815
Finance lease receivables	72.321	41.659
Other assets	10.952	2.850
Total balance sheet items subject to credit risk	16.582.839	11.785.086
Contingent liabilities	6.163.867	5.213.281
Commitments	876.219	1.142.145
Total off-balance sheet items subject to credit risk	7.040.086	6.355.426
Total credit risk exposure	23.622.925	18.140.512

Explanations on credit rating system:

The Parent Bank assesses the credit quality of customers through rating systems developed for the loan and finance lease customers. The principal criteria used in the rating systems are the volume of transactions of the customer with the Parent Bank, payment performance of the customer and income generated from the customer.

The table below presents the concentration information of the loans and finance lease receivables classified according to the rating systems:

	Current period	Prior period
Above average	%26,12	%18,59
Average	%67,53	%78,97
Below average	%6,35	%2,44

III. Explanations on consolidated market risk:

1) The Parent Bank measures its market risk exposures within the framework of "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette numbered 28337 dated June 28, 2012 by using standardized approach and allocates statutory capital accordingly. On the other hand, market risk is also calculated for testing purposes using internal model methods (VaR) and the results are validated by back test analysis. The VaR is calculated daily by using Variance, Covariance, EWMA, Monte Carlo and historical simulation methods and the results are reported to senior management.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and the Parent Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures are to be taken by risk management department and top level management in respect of defining, measuring, prioritizing, monitoring and managing the risks exposed by the Bank.

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III. Explanations on market risk (continued):

The riskiness of on and off balance sheet positions which will occur due to the market volatility is measured regularly. The information related to market risk taken into consideration in calculation of legal capital is stated below.

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - standard method	381
(II) Capital requirement to be employed for specific risk - standard method	381
Capital requirement against specific risks of securitisation positions- standard method	-
(III) Capital requirement to be employed for currency risk - standard method	10.625
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for swap risk - standard method	-
(VI) Capital requirement to be employed for market risk of options - standard method	-
(VII) Capital requirement against counterparty credit risks - standard method	235
(VIII) Capital requirement to be employed for market risks of banks using risk measurement model	-
(IX) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	11.622
(X) Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	145.275

b) Average Market Risk Table Concerning Market Risk Calculated as of Month Ends During the Period:

	Current period			Prior period(*)		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	-	-	-	23	137	-
Share Certificates Risk	873	1.064	762	640	738	534
Currency Risk	7.430	10.625	4.062	6.086	8.231	4.496
Commodity Risk	-	-	-	-	-	-
Swap Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	40	235	-	-	-	-
Total Value Subject to Risk	8.343	11.924	4.824	6.749	9.106	5.030

(*) Prior period's average is calculated by considering the arithmetic average of the monthly reports prepared between related period and publication date (June 28, 2012) of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to consolidated financial statements

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III. Explanations on market risk (continued):

(2) Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated according to the fair value methodology indicated in the Appendix-2 Part 3 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

Replacement cost of agreements having positive value is calculated by revaluation of agreements according to their fair values. Potential credit risk amount is acquired by multiplying related ratios on agreement types by agreement amounts or amounts subject to the transaction.

	Balance(*)	
	December 31, 2013	December 31, 2012
Interest Rate Contracts	-	-
Foreign Exchange Rate Contracts	2.943	-
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Value	-	-
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collateral Received	-	-
Net Derivative Position	2.943	-

(*) Includes only the counterparty risks arising from trading book.

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities:

None.

Albaraka Türk Katılım Bankası Anonim Şirketi

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IV. Explanations on consolidated operational risk:

- a) Amount subject to operational risk is calculated with the help of basic indicator method according to article fourteen of "Regulation on Measurement and Assessment of Capital Adequacy of Banks". Annual gross profit calculated based on adding net fee and commission income, dividend income except for dividends from subsidiaries and associates, trading gain/loss(net) and other operational income to net profit share income; and deducting the profit/loss from selling assets except from trading accounts, extraordinary income, operating expense due to support services from a bank, main shareholder of the bank and compensations from insurance.
- b) In case of using the basic indicator approach, the related information is as below:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	418.488	500.700	625.375	514.854	15	77.228
Amount subject to Operational Risk (Total*12,5)						965.350

V. Explanations on consolidated currency risk:

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

- a) The Parent Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Parent Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Group does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Parent Bank takes necessary measures to keep the currency risk at a minimum level.
- ç) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Parent Bank are as follows:

Full TL	USD	EUR
As of December 31, 2013 - Balance sheet evaluation rate	2,140	2,950
As of December 30, 2013	2,105	2,907
As of December 27, 2013	2,050	2,850
As of December 26, 2013	2,065	2,850
As of December 25, 2013	2,068	2,830
As of December 24, 2013	2,057	2,810

- c) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is full TL 2,038 for 1 USD (December 2012 – full TL 1,778), full TL 2,796 for 1 EURO (December 2012 – full TL 2,332).

Albaraka Türk Katılım Bankası Anonim Şirketi

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V. Explanations on consolidated currency risk (continued):

Foreign currency sensitivity:

The Group is mainly exposed to EUR and USD currency risks.

The following table details the Group's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value decrease/ increase of USD and EUR against TL.

% change in foreign currency rate		Effect on profit / loss		Effect on equity	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
USD	10% increase	30.302	21.855	474	(28)
USD	10% decrease	(30.302)	(21.855)	(474)	28
EURO	10% increase	4.123	4.906	-	-
EURO	10% decrease	(4.123)	(4.906)	-	-

Albaraka Türk Katılım Bankası Anonim Şirketi

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V. Explanations on consolidated currency risk (continued):

Information on currency risk of the Group:

Current Period	EUR	USD	Other FC(*)	Total
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	749.824	980.417	306.026	2.036.267
Banks	106.326	568.334	78.170	752.830
Financial assets at fair value through profit and loss	5	3	14	22
Money market placements	-	-	-	-
Available-for-sale financial assets	51	113.264	-	113.315
Loans and financial lease receivables(**)	1.485.099	3.534.606	-	5.019.705
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	1.925	1.925
Intangible assets	-	-	594	594
Other assets (***)	743	841	1.625	3.209
Total assets	2.342.048	5.197.465	388.354	7.927.867
Liabilities				
Current account and funds collected from banks via participation accounts	157.833	241.550	2.040	401.423
Other current and profit sharing accounts	1.290.668	2.964.166	351.104	4.605.938
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	833.147	1.635.642	-	2.468.789
Marketable securities issued	-	-	-	-
Miscellaneous payables	4.200	14.678	2.529	21.407
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	14.967	38.406	1.181	54.554
Total liabilities	2.300.815	4.894.442	356.854	7.552.111
Net balance sheet position	41.233	303.023	31.500	375.756
Net off balance sheet position	(35.754)	(256.730)	(2.620)	(295.104)
Derivative financial instruments assets(****)	8.496	21.605	2.338	32.439
Derivative financial instruments liabilities(****)	44.250	278.335	4.958	327.543
Non-cash loans (*****)	852.441	2.343.620	10.953	3.207.014
Prior Period				
Total assets	1.612.829	3.489.126	308.322	5.410.277
Total liabilities	1.563.771	3.270.579	285.889	5.120.239
Net balance sheet position	49.058	218.547	22.433	290.038
Net off balance sheet position	-	-	-	-
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans(*****)	658.975	1.663.526	31.309	2.353.810

(*) TL 305.453 of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 37.646 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 340.927 of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

(**) The balance includes foreign currency indexed loans and financial lease receivables of TL 3.436.101 (December 31 2012: TL 2.627.537).

(***) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 801 (December 31 2012: TL 471) is included in other assets.

(****) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 32.439 (December 31, 2012: None) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL30.543 (December 31, 2012: TL 263.575).

(*****) Does not have any effect on the net off-balance sheet position.

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VI. Explanations on consolidated position risk of equity securities in banking book:

The Parent Bank does not have an associate and subsidiary quoted on the Borsa İstanbul.

VII. Explanations on consolidated liquidity risk:

In the banking sector, liquidity risk mainly arises from average maturity of sources being shorter than average maturity of utilizations. The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet the liquidity requirements. The Bank utilizes some of its sources in short term foreign investments; receivables from loans are generally collected in monthly installments.

The Parent Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Parent Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and Foreign Currency (FC) liquidity needs mostly by the funds collected and also utilizes Syndicated Murabaha Loans and wakala borrowings from abroad. Moreover, the Bank takes care to keep the assets in short term liquid assets and prolong average maturity of the liabilities.

The Board of Directors of the Parent Bank monitors both the BRSA liquidity ratios and certain other indicators defined in the liquidity contingency plan on a daily basis. The liquidity sources which will be utilized in case of a potential liquidity shortage are defined in the contingency plans.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from June 1, 2007 the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. Liquidity ratios for the periods ending December 31, 2013 and December 31, 2012 are as follows:

<i>December 31, 2013</i>	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	166,23	183,59	128,09	131,86
Maximum (%)	261,07	286,26	156,72	201,10
Minimum (%)	105,34	105,74	107,43	100,83

<i>December 31, 2012</i>	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	239,38	242,35	167,72	180,48
Maximum (%)	345,05	295,33	238,14	213,75
Minimum (%)	117,02	194,66	104,38	155,78

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VII. Explanations on consolidated liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	509.102	1.773.579	-	-	-	-	-	2.282.681
Banks	997.777	8.192	372.739	-	-	-	-	1.378.708
Financial Assets at Fair Value Through Profit and Loss	4.764	27	-	-	-	-	-	4.791
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.543	-	29.105	77.270	132.972	-	-	240.890
Loans	4.623	1.408.310	1.663.864	4.524.500	4.127.733	304.631	-	12.033.661
Held-To-Maturity Investments	-	-	25.512	305.500	414.378	-	-	745.390
Other Assets	-	472	71	2.043	8.366	-	519.044	529.996
Total Assets	1.517.809	3.190.580	2.091.291	4.909.313	4.683.449	304.631	519.044	17.216.117
Liabilities								
Current account and funds collected from banks via participation accounts	41.673	209.203	224.233	32.515	-	-	-	507.624
Other current and profit sharing accounts	2.526.390	7.564.516	912.993	921.727	92.962	-	-	12.018.588
Funds provided from other financial institutions	-	565.022	331.407	523.039	616.348	432.973	-	2.468.789
Money Market Borrowings	-	144.775	-	-	-	-	-	144.775
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	110.081	53.590	14.581	-	-	150.922	329.174
Other liabilities	-	23.319	22.749	-	-	-	1.701.099	1.747.167
Total Liabilities	2.568.063	8.616.916	1.544.972	1.491.862	709.310	432.973	1.852.021	17.216.117
Net Liquidity Gap	(1.050.254)	(5.426.336)	546.319	3.417.451	3.974.139	(128.342)	(1.332.977)	-
Prior period								
Total Assets	1.439.485	2.020.674	1.258.819	3.468.429	3.541.639	211.319	387.289	12.327.654
Total Liabilities	1.758.769	2.627.054	926.927	5.134.497	376.401	-	1.504.006	12.327.654
Net Liquidity Gap	(319.284)	(606.380)	331.892	(1.666.068)	3.165.238	211.319	(1.116.717)	-

(*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here. The unallocated other liabilities row consists of equity, provisions and tax liabilities.

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VII. Explanations on consolidated liquidity risk (continued):

Analysis of financial liabilities based on the remaining contractual maturities:

The table below is prepared taking into consideration undiscounted amounts of financial liabilities of the Group and earliest dates required to be paid. The profit share expenses to be paid on funds collected calculated on the basis of account value per unit are included in the table below.

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current period							
Funds Collected	2.568.063	7.773.719	1.137.226	954.242	92.962	-	12.526.212
Funds Borrowed from Other Financial Institutions	-	578.823	322.760	526.652	632.395	444.585	2.505.215
Borrowings from Money Markets	-	144.475	-	-	-	-	144.475
Total	2.568.063	8.497.017	1.459.986	1.480.894	725.357	444.585	15.175.902
Prior period							
Funds Collected	1.758.769	2.016.266	773.995	4.299.587	376.401	-	9.225.018
Funds Borrowed from Other Financial Institutions	-	438.472	123.889	843.800	-	-	1.406.161
Borrowings from Money Markets	-	-	-	-	-	-	-
Total	1.758.769	2.454.738	897.884	5.143.387	376.401	-	10.631.179

Breakdown of commitment and contingencies according to their remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Current Period								
Letters of guarantee (*)	2.574.442	295.641	317.747	1.226.349	782.376	35.343	-	5.231.898
Bank acceptances	23.524	-	-	-	-	-	-	23.524
Letters of credit	447.522	27.559	2.645	4.285	-	-	-	482.011
Other commitments and contingencies	-	426.434	-	-	-	-	-	426.434
Total	3.045.488	749.634	320.392	1.230.634	782.376	35.343	-	6.163.867
Prior Period								
Letters of guarantee (*)	2.096.771	199.543	294.033	1.176.899	730.658	36.895	-	4.534.799
Bank acceptances	15.490	-	-	-	-	-	-	15.490
Letters of credit	473.669	1.308	1.524	1.332	-	-	-	477.833
Other commitments and contingencies	-	185.159	-	-	-	-	-	185.159
Total	2.585.930	386.010	295.557	1.178.231	730.658	36.895	-	5.213.281

(*) Remaining maturities presented for letters of guarantees represents the expiration periods. The correspondent of letters of guarantee has the right to demand the liquidation of the letter when the transaction stated at the letter is not realized.

VIII. Consolidated securitisation positions:

None.

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IX. Consolidated credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at June 28, 2012 are stated below:

- a) Financial collaterals (Government securities, cash, deposit or participation fund pledge, gold, stock pledge)
- b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods.

Collaterals obtained by the Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

The appraisal of the mortgages for loans exceeding TL 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

The Parent Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Parent Bank and the market fluctuations are considered in credit activities.

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IX. Consolidated Credit risk mitigation techniques (continued):

Collaterals in terms of Risk Categories:

The information related to amount and type of collaterals which are applied in the calculation of risk weighted amount of risk categories within the scope of the Communiqué on "The Risk Mitigation Techniques" is provided below.

Risk Categories	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2.750.140	-	-	-
Conditional and unconditional receivables from regional or local governments	74.313	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.547.024	4.216	-	-
Conditional and unconditional receivables from corporates	7.337.271	421.283	-	23.582
Conditional and unconditional retail receivables	1.999.748	113.221	-	15.342
Conditional and unconditional receivables secured by mortgages on property	3.669.786	-	-	-
Past due receivables	25.865	-	-	-
Receivables defined in high risk category by BRSA	39.690	1.380	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	557.979	-	-	-

X. Explanations on Consolidated Risk Management Objectives and Policies:

The aim of the Parent Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

Basically the Parent Bank is exposed to market, liquidity, credit and strategic risk, reputation risk, and operational risk and determines risk policies, procedures to be implemented, and risk limits approved by Board of Directors for risks that can be quantified. The related limits are monitored, reported and maintained within the set limits by the units under Internal Systems and the related departments in the Parent Bank. Risk Management Unit, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting risks.

Market Risk

Market Risk is the probability of loss that the Parent Bank may be exposed to due to the bank's general market risk, foreign exchange risk, specific risk, commodity risk, settlement risk and counterparty credit risk in trading book.

Exchange rate risk or foreign currency risk which is one of the factors that constitutes market risk, defines the probability of loss due to the effects of possible changes in currency to all the Bank's foreign currency assets and liabilities. Security position risk is the negations in the Bank's revenues and thus shareholders' equity, cash flows, asset quality and finally in meeting the commitments arising from negative movements in security prices included in the Bank's trading accounts.

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X. Explanations on Consolidated Risk Management Objectives and Policies (continued):

Within the framework of market risk, the Parent Bank calculates foreign currency position risk, general market risk for security position risk and specific risks via standard method and reports to the legal authority. The Parent Bank also measures the foreign currency position risk by various internal methods for testing purposes. The variations between daily predicted value at risk and actual values and back testing practices are used to determine the accuracy and performance of these tests. The potential durability of portfolio against unpredictable risks that can be exposed is measured by stress tests including stress scenarios.

The Parent Bank continuously monitors the compliance of market risk with the limits determined by legal regulations. The Parent Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

Liquidity Risk

The liquidity risk is defined as inability to keep sufficient level of cash to meet cash outflow needs arising from participation accounts that are due and other obligations as a result of cash flow imbalances.

Maturity mismatch, impairment of the asset quality, unpredictable source outflows, decrease in profit and economic crisis situations are the factors that might cause the occurrence of the liquidity risk.

For liquidity risk, cash flows are monitored daily and preventive and remedial precautions are taken to meet obligations on time and in the required manner.

Regarding liquidity risk, in order to meet liquidity needs arising from unpredictable movements in the markets, the Parent Bank prefers to implement the policy of maintaining quality liquid assets in adequate proportion by considering previous liquidity experiences and minimum liquidity adequacy ratios set by legal regulations.

Credit Risk

Credit risk represents the Bank's possibility of losses due to loan customers not fulfilling the terms of their agreements partially or in full. At the same time, this risk includes market value loss arising from the deterioration of the financial position of the counterparty. Within the scope of the definition of the credit risk used, on balance and off balance sheet portfolios are included.

In the Parent Bank, credit allocation authority belongs to the Board of Directors. The Board of Directors takes necessary measures by establishing policies related to allocation and approval of loans, credit risk management policies and other administrative issues; by ensuring implementation and monitoring of these policies. The Board of Directors transferred its credit allocation authority to the Credit Committee and Head-office in line with the policies and procedures defined by the legal regulations. Head-office Credit Committee exercises the credit allocation authority through units of the Bank/ regional offices and branches. The Bank grants credits on the basis of limits determined for each individual customer and group of customers separately and core banking system prevents customers' credit risks being in excess of their limits.

The Parent Bank pays attention in order not to result in sectoral concentration that might affect credit portfolio in a negative way. Maximum effort is being made to prevent risks from concentrating on few customers. Credit risk is continuously monitored and reported by units under internal systems and other risk management divisions. By this way, harmonization of credit risk with credit risk management policy and application standards is maintained.

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X. Explanations on Consolidated Risk Management Objectives and Policies (continued):

Operational Risk

Operational risk is defined as the possibility of loss occurring due to insufficient or unsuccessful internal processes, persons and systems or external incidents. Although legal risk and compliance risk are included in this risk group, reputation risk and strategy risk (arising from misjudgements at wrong times) are excluded.

Operational risk is a risk type that exists in all functions of the Parent Bank. It might arise from employee mistakes, an error caused by the system, transactions made based on inadequate or incorrect legal information, information flow failure among levels under Parent Bank organization structure, ambiguity in limits of authorization, structural and/or operational changes, natural disasters, terror and fraud.

Operational risk is categorized under five groups according to its sources: employee risk, technological risks, organization risk, legal-compliance risk and external risks. The Parent Bank takes necessary measures in order to keep operational risk at an acceptable level.

Other risks

Other risks the Parent Bank is exposed to are strategic risk, reputation risk, counterparty risk, compliance risk, residual risk, country risk, and concentration risk. The Parent Bank's risk management system, in order to prevent and/or control strategic risks, is prepared against changes in economic, political and socio-political conditions, laws, legislation and similar regulations that could affect the Parent Bank's operations, status and strategies significantly and observes these issues in contingency and business continuity plan implementations.

Reputation risk is defined as events and situations arising from all services, functions and relations of the Parent Bank that would cause to lose confidence in the Bank and damage its image.

The Parent Bank's risk management system in order to prevent and/or control reputation risk, switches on a proactive communication mechanism by giving priority to its customers whenever it is determined that the Parent Bank's reputation or image is damaged. The system, ready for the worst case scenarios in advance, takes into account the level of the relationship between operational risks and reputation risk, its level and its effect.

Residual risk is the risk that arises in case that the risk mitigation techniques are not as effective as expected. Senior management procures the implementation of residual risk management policy and strategy that is approved by Board of Directors. It establishes necessary communication channels in order to publish relevant policy and strategies to relevant Parent Bank personnel and inform them about their responsibilities.

Counterparty credit risk is the probability that one of the parties of a transaction where both sides are imposed with liability becomes default on his liability before the last payment in the cash flow of the transaction.

Compliance risk means those risks which are related to sanctions, financial losses and/ or loss of reputation that the Bank may suffer in the event that the Parent Bank's operations and the attitudes and acts of the Parent Bank's staff members are not in conformity and compliance with the current legislation, regulations and standards. The Head of Legislation and Compliance Unit, who shall be appointed by the Board of Directors, shall be accountable for the purposes of planning, arranging, conducting, managing, assessing, monitoring and coordinating the corporate compliance activities.

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X. Explanations on Consolidated Risk Management Objectives and Policies (continued):

Country risk is the probability of loss that the Parent Bank may be exposed to in case borrowers in one country fail or shirk to fulfill their foreign obligations due to uncertainties in economic, social and political conditions. The Parent Bank constitutes its commercial connections with foreign fiscal institutions and countries, as a result of feasibility studies made for country's economic conditions within legal restrictions and through consideration of market conditions and customer satisfaction.

Concentration risk is the probability of experiencing large scale losses due to one single risk amount or risk amounts in particular risk types that may threaten the body of the Parent Bank and the capability of operating its principal activities. Policies in regards to concentration risk are classified as Sectoral concentration, Concentration to be created on the Basis of Collateral, Concentration on the Basis of Market Risk, Concentration on the Basis of Types of Losses, Concentration Arising from Participation Fund and Other Financing Providers.

XI. Explanations on presentation of financial assets and liabilities at fair value:

a. Information on fair value of financial assets and liabilities :

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

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XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Money market placements	-	-	-	-
Banks	1.378.708	1.037.112	1.378.708	1.037.112
Financial assets at fair value through profit and loss	4.791	6.192	4.791	6.192
Financial assets available for sale	240.890	152.569	240.890	152.569
Held to maturity investments	745.390	365.815	731.303	372.497
Loans and financial lease receivables	12.059.901	9.100.063	12.069.915	9.321.770
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	507.624	319.199	507.624	319.199
Other current and profit sharing accounts	12.018.588	8.905.819	12.018.588	8.905.819
Funds provided from other financial institutions	2.035.816	1.393.830	2.021.228	1.392.704
Marketable securities issued	-	-	-	-
Miscellaneous payables	329.174	316.398	329.174	316.398

b. Information on fair value measurement recognized in the financial statements:

TFRS 7 (Financial Instruments: Turkish Financial Reporting Standard Related to Explanations) sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II);
- Data not based on observable data regarding assets and liabilities (Level III).

Fair value hierarchy of the financial assets and liabilities of the Parent Bank carried at fair value according to the foregoing principles are given in the table below:

Current period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.764	27	-	4.791
Public sector debt securities	-	-	-	-
Equity securities	4.764	-	-	4.764
Derivative financial assets held for trading	-	-	-	-
Other	-	27	-	27
Financial assets- available for sale	-	239.347	-	239.347
Equity securities (*)	-	-	-	-
Public sector debt securities	-	201.523	-	201.523
Other marketable securities	-	37.824	-	37.824
Financial liabilities				
Derivative financial liabilities held for trading	-	2.804	-	2.804
Derivative financial liabilities for hedging purposes	-	-	-	-

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XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

Prior period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.609	1.583	-	6.192
Public sector debt securities	-	-	-	-
Equity securities	4.609	-	-	4.609
Derivative financial assets held for trading	-	-	-	-
Other	-	1.583	-	1.583
Financial assets- available for sale	-	151.300	-	151.300
Equity securities (*)	-	-	-	-
Public sector debt securities	-	151.300	-	151.300
Other marketable securities	-	-	-	-
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

(*) The balances in the balance sheet include unquoted equity securities carried at cost which are not included in the above table since they are not carried at fair value.

XII. Explanations regarding the activities carried out on behalf and account of other persons:

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Parent Bank has no fiduciary transactions.

XIII. Explanations on consolidated business segments:

The Parent Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

December 31, 2013	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.383.561	10.482.611	1.496.617	3.853.328	17.216.117
Total Liabilities	8.358.926	6.880.760	217.852	1.758.579	17.216.117
Net profit share income/(expense)(**)	(196.040)	757.393	63.823	-	625.176
Net fees and commissions income/(expense)	1.455	104.026	(4.030)	11.746	113.197
Other operating income /(expense)	(167)	(72.620)	1.879	(368.358)	(439.266)
Profit/(loss) before tax	(194.752)	788.799	61.672	(356.612)	299.107
Provision for tax	-	-	-	(58.134)	(58.134)
Net profit for the period	(194.752)	788.799	61.672	(414.746)	240.973

December 31, 2012	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.037.855	8.059.144	830.393	2.400.262	12.327.654
Total Liabilities	6.128.377	3.933.215	305.105	1.960.957	12.327.654
Net profit share income/(expense)(**)	(225.759)	662.749	48.353	555	485.898
Net fees and commissions income/(expense)	2.507	104.494	(4.993)	11.345	113.353
Other operating income /(expense)	119	(63.203)	1.301	(296.243)	(358.026)
Profit/(loss) before tax	(223.133)	704.040	44.661	(284.343)	241.225
Provision for tax	-	-	-	(49.390)	(49.390)
Net profit for the period	(223.133)	704.040	44.661	(333.733)	191.835

(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

(**) Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net.

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Section five

Explanations and notes on the consolidated financial statements

I. Explanations and notes related to assets:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	65.105	63.244	56.903	52.220
CBRT	181.309	1.967.205	65.840	1.060.523
Other (*)	-	5.818	-	65.157
Total	246.414	2.036.267	122.743	1.177.900

(*) Includes precious metals amounting to TL 5.818 as of December 31, 2013 (December 31, 2012: TL 65.157).

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	181.309	193.626	65.840	150.069
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	1.773.579	-	910.454
Total	181.309	1.967.205	65.840	1.060.523

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

The reserve rates for TL liabilities vary between 5% and 11,5% for TL deposits and other liabilities according to their maturities as of December 31,2013 (December 31,2012: for all TL liabilities between 5% and 11%). The reserve rates for foreign currency liabilities vary between 6% and 13% for deposit and other foreign currency liabilities according to their maturities as of December 31,2013 (December 31,2012: for all foreign currency liabilities between 6% and 11,5%).

(*) As of December 31, 2013, the reserve requirement held in standard gold is TL 299.635 (December 31, 2012: TL 136.030).

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2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

There are no financial assets at fair value through profit and loss subject to repurchase transaction, given as collateral or blocked.

b) Table of positive differences related to derivative financial assets held for trading:

None. (31 December 2012 : None)

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	625.878	425.117	643.330	147.538
Abroad	-	279.352	-	214.966
Foreign head offices and branches	-	48.361	-	31.278
Total	625.878	752.830	643.330	393.782

b) Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	143.319	-	156.246	-
USA and Canada	120.831	-	45.590	-
OECD Countries (*)	8.068	-	3.103	-
Off-shore banking regions	2.941	-	411	-
Other	4.193	-	9.616	-
Total	279.352	-	214.966	-

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

4. Information on financial assets available-for-sale:

a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

None.

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

	Current Period	Prior Period
Debt securities	243.121	151.300
Quoted on a stock exchange(*)	243.121	151.300
Unquoted	-	-
Share certificates	1.543	1.269
Quoted on a stock exchange	-	-
Unquoted (**)	1.543	1.269
Impairment provision (-)	3.774	-
Total	240.890	152.569

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

(**) Indicates unquoted equity securities.

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5. Information on loans and receivables:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	45.889	31.349	24.660	77.314
Corporate shareholders	45.682	31.349	23.175	77.314
Real person shareholders	207	-	1.485	-
Indirect loans granted to shareholders	1.476	15.514	34.094	10.305
Loans granted to employees	6.179	-	5.275	-
Total	53.544	46.863	64.029	87.619

b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

Cash loans	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables (Total)	Restructured or rescheduled	Loans and other receivables (Total)	Restructured or rescheduled
	Extension of Repayment Plan	Other	Extension of Repayment Plan	Other
Loans	11.448.852	-	512.488	233.728
Export loans	189.514	-	3.142	154
Import loans	1.383.609	-	64.531	5.816
Business loans	6.056.693	-	366.591	196.663
Consumer loans	1.308.293	-	23.257	11.359
Credit cards	190.129	-	1.656	-
Loans given to financial sector	-	-	-	-
Other (*)	2.320.614	-	53.311	19.736
Other receivables	-	-	-	-
Total	11.448.852	-	512.488	233.728

(*) Details of other loans are provided below:

Commercial loans with installments	987.644
Other investment credits	416.145
Loans given to abroad	411.570
Profit and loss sharing investments (**)	130.501
Loans for purchase of marketable securities for customer	422.138
Other	5.927
Total	2.373.925

(**) As December 31, 2013, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Parent Bank. In the current period the Parent Bank recognized TL 63.175 (December 31, 2012: TL 17.632) income in the accompanying financial statements in relation to such loans.

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5. Information on loans and receivables (continued):

	Extension of Repayment Plan	
	Standard loans and other receivables	Loans and other receivables under close monitoring
1 or 2 times	-	233.728
3, 4 or 5 times	-	-
Over 5 times	-	-

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 months	-	9.705
6 - 12 months	-	11.595
1 - 2 years	-	36.422
2 - 5 years	-	148.056
5 years and over	-	27.950

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to real persons and legal entities resident in Libya and real persons and legal entities having operations in or for Libya:

As of December 31, 2013, the Parent Bank does not have any loan receivables arising from rescheduled loans within the scope of related Communiqué.

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to maritime sector :

As of December 31, 2013, the Parent Bank has loan receivables amounting to TL 2.874 arising from rescheduled loans within the scope of related Communiqué.

c) Maturity analysis of cash loans:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Short term loans and other receivables	4.674.986	-	102.540	32.730
Loans	4.674.986	-	102.540	32.730
Other receivables	-	-	-	-
Medium and long-term loans and other receivables(*)	6.773.866	-	160.883	216.335
Loans	6.773.866	-	160.883	216.335
Other receivables	-	-	-	-
Total	11.448.852	-	263.423	249.065

(*) Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

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5. Information on loans and receivables (continued):

ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	8.996	1.319.407	1.328.403
Housing loans	1.870	1.149.604	1.151.474
Vehicle loans	2.643	74.321	76.964
Consumer loans	2.920	1.468	4.388
Other	1.563	94.014	95.577
Consumer loans-FC indexed	-	242	242
Housing loans	-	242	242
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	55.172	7.805	62.977
With installment	26.820	7.192	34.012
Without installment	28.352	613	28.965
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	1.571	1.334	2.905
Housing loans	-	183	183
Vehicle loans	11	979	990
Consumer loans	1.560	172	1.732
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TL	2.880	394	3.274
With installment	1.493	374	1.867
Without installment	1.387	20	1.407
Personnel credit cards-FC	-	-	-
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL(real person)	-	-	-
Overdraft account-FC(real person)	-	-	-
Total	68.619	1.329.182	1.397.801

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5. Information on loans and receivables (continued):

d) Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TL	617.855	144.410	762.265
Business loans	152.935	12.573	165.508
Vehicle loans	170.753	5.809	176.562
Consumer loans	46	-	46
Other	294.121	126.028	420.149
Commercial installment loans-FC indexed	214.041	11.338	225.379
Business loans	71.633	4.955	76.588
Vehicle loans	22.357	470	22.827
Consumer loans	44	-	44
Other	120.007	5.913	125.920
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	112.771	12.763	125.534
With installment	18.659	11.375	30.034
Without installment	94.112	1.388	95.500
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (legal entity)	-	-	-
Overdraft account-FC(legal entity)	-	-	-
Total	944.667	168.511	1.113.178

e) Allocation of loans by customers:

	Current Period	Prior Period
Public	88.391	648
Private	11.872.949	9.032.876
Total	11.961.340	9.033.524

f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	11.549.770	8.827.001
Foreign loans	411.570	206.523
Total	11.961.340	9.033.524

g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

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5. Information on loans and receivables (continued):

ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	25.660	8.101
Loans and receivables with doubtful collectability	64.539	55.894
Uncollectible loans and receivables	154.798	127.444
Total	244.997	191.439

In addition to specific provision for loans amounting TL 244.997 (December 31, 2012: TL 191.439), provision amounting to TL 8.431 (December 31, 2012: TL 6.230) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 253.428 (December 31, 2012: TL 197.669). Specific provision for loans amounting to TL 161.892 (December 31, 2012: TL 149.959) represents participation account share of specific provisions of loans provided from participation accounts.

h) Information on non-performing loans and receivables (net):

h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	-	-	19.311
Restructured loans and other receivables	-	-	19.311
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	10.565
Restructured loans and other receivables	-	-	10.565
Rescheduled loans and other receivables	-	-	-

h.2) Movements of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Closing balance of prior period	10.899	68.143	137.277
Additions in the current period (+)	163.564	2.624	4.562
Transfers from other categories of non-performing loans (+)	-	124.833	59.753
Transfers to other categories of non-performing loans (-)	124.833	59.753	-
Collections in the current period (-)	18.553	62.749	20.633
Write offs (-)	41	11	13.845
Corporate and commercial loans	16	-	13.122
Retail loans	25	11	558
Credit cards	-	-	165
Other	-	-	-
Closing balance of the current period	31.036	73.087	167.114
Specific provisions (-)	25.660	64.539	154.798
Net balance at the balance sheet	5.376	8.548	12.316

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5. Information on loans and receivables (continued):

Non-performing loans and receivables in the amount of TL 271.237 (December 31, 2012: TL 216.319) comprise TL 160.586 (December 31, 2012: TL 150.335) of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectibility amounting to TL 8.431 (December 31, 2012: TL 6.230). In the current period, collections from fees, commissions and other receivables with doubtful collectibility amounted to TL 6.305.

h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period:			
Period end balance	-	-	700
Specific provision (-)	-	-	677
Net balance on balance sheet	-	-	23
Prior period:			
Period end balance	-	-	1.145
Specific provision (-)	-	-	1.145
Net balance on balance sheet	-	-	-

h.4) Gross and net non-performing loans and other receivables per customer categories:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period (net)	5.376	8.548	12.316
Loans to individuals and corporates (gross)	31.036	73.087	167.114
Specific provision (-)	25.660	64.539	154.798
Loans to individuals and corporates (net)	5.376	8.548	12.316
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	2.798	12.249	9.833
Loans to individuals and corporates (gross)	10.899	68.143	137.277
Specific provision (-)	8.101	55.894	127.444
Loans to individuals and corporates (net)	2.798	12.249	9.833
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

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5. Information on loans and receivables (continued):

i) Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

i) Information on "Write-off" policies:

The write-off policy of the Parent Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Parent Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated November 01, 2006, have been written-off per the decision of the Parent Bank management. In 2013, non-performing loans amounting to TL 13.897 were written-off (2012 – TL 20.401).

j) Other explanations on loans and receivables:

Aging analysis of past due but not impaired financial assets per classes of financial instruments is stated below:

Current Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	494.682	69.757	189.749	-	754.188
Consumer Loans	62.662	9.771	6.715	-	79.148
Credit Cards	5.662	903	451	-	7.016
Total	563.006	80.431	196.915	-	840.352

Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	260.652	64.418	51.354	-	376.424
Consumer Loans	70.696	6.320	4.851	-	81.867
Credit Cards	4.156	942	341	-	5.439
Total	335.504	71.680	56.546	-	463.730

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6. Information on held-to-maturity investments:

6.1) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2013, held to maturity investments given as a guarantee or blocked amount to TL 18.228 (December 31, 2012: None). Held to maturity investments subject to repurchase agreements amount to TL 146.794 (December 31, 2012: None).

6.2) Information related to government securities held to maturity :

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	730.267	365.815
Total	730.267	365.815

(*) Consists of Sukook certificates issued by Undersecretariat of Treasury of Turkey.

6.3) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	745.390	365.815
Quoted on a stock exchange(*)	745.390	356.879
Unquoted	-	8.936
Impairment provision(-)	-	-
Total	745.390	365.815

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

6.4) Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	365.815	430.862
Foreign currency differences on monetary assets	-	(500)
Purchases during period	429.378	300.000
Disposals through sales and redemptions	(91.427)	(383.221)
Impairment provision (-)	-	-
Income accruals	41.624	18.674
Closing balance	745.390	365.815

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7. Associates (net):

a) Information on unconsolidated associates:

Since the Parent Bank does not have the necessary shareholding percentage to become a qualified shareholder and have significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş	Ankara / Turkey	1,67	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2013.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
277.124	276.430	2.824	-	-	11.980	11.213	-

b) Information on consolidated associates:

As of balance sheet date, the Group does not have consolidated associates.

8. Information on subsidiaries (net):

a) Information on unconsolidated subsidiaries:

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bereket Varlık Kiralama A.Ş	İstanbul / Türkiye	99,99	99,99

The Group did not consolidate financial statements of its subsidiary Bereket Varlık Kiralama A.Ş., considering the materiality principle.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of September 31, 2013.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value	Additional Shareholders' Equity Required
203	203	5	-	-	(31)	(16)	-	-

b) Information on consolidated subsidiaries:

The Group does not have consolidated subsidiaries as of the balance sheet date.

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9. Information on investments in joint- ventures:

a) Information on unconsolidated investments in joint- ventures:

The Group does not have unconsolidated investments in joint- ventures as of the balance sheet date.

b) Information on consolidated investments in joint- ventures:

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş ("Company") – a private pension company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. Katılım Emeklilik ve Hayat A.Ş has been consolidated with the parent Bank as of December 31, 2013.

<u>Joint-Ventures</u>	<u>The Parent Bank's shareholding percentage (%)</u>	<u>Groups shareholding percentage (%)</u>	<u>Current Assets</u>	<u>Non- Current Assets</u>	<u>Long Term Debts</u>	<u>Income</u>	<u>Expense</u>
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	10.975	968	-	-	1.090

In the unconsolidated financial statements, joint venture is carried at cost.

The financial information above is as of December 31, 2013.

10. Information on lease receivables (net):

a) Presentation of remaining maturities of funds lent under finance lease method:

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Less than a year	30.318	23.558	24.271	18.722
1 to 4 years	51.197	45.648	26.395	22.155
More than 4 years	4.378	3.115	828	782
Total	85.893	72.321	51.494	41.659

b) Information on net investments through finance lease:

	<u>Current Period</u>	<u>Prior Period</u>
Gross finance lease receivables	85.893	51.494
Unearned finance lease receivable (-)	13.572	9.835
Net receivable from finance leases	72.321	41.659

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10. Information on lease receivables (net) (continued):

c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

	Standard loans and Other receivables			Loans and other receivables under close monitoring			
	Loans and other receivables	Restructured or rescheduled	Extension of Repayment Plan	Other	Loans and other receivables	Restructured or rescheduled	
Finance lease receivables Net)	68.335	-	-		3.986	-	-

11. Information on derivative financial assets for hedging purposes:

The Group does not have any derivative financial assets for hedging purposes.

12. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
Cost						
Opening balance: January 1, 2013	206.735	-	2.094	125.017	36.855	370.701
Additions	4.645	-	91	34.674	35.023	74.433
Revaluation differences	53.551	-	-	-	-	53.551
Disposals	(2.445)	-	(108)	(4.113)	(23.386)	(30.052)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(313)	(313)
Transfers	-	-	-	-	8.045	8.045
Ending balance: December 31, 2013	262.486	-	2.077	155.578	56.224	476.365
Accumulated depreciation(-)						
Opening balance: January 1, 2013	17.819	-	1.197	56.336	1.012	76.364
Depreciation expense	4.565	-	334	18.275	669	23.843
Reversal of depreciation of the disposed assets	(547)	-	(108)	(3.528)	(273)	(4.456)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2013	21.837	-	1.423	71.083	1.408	95.751
Total cost at the end of the year	262.486	-	2.077	155.578	56.224	476.365
Total accumulated depreciation at the end of the year	(21.837)	-	(1.423)	(71.083)	(1.408)	(95.751)
Closing net book value	240.649	-	654	84.495	54.816	380.614

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12. Information on tangible assets (continued)

Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
Cost						
Opening balance: January 1, 2013	176.433	-	2.502	96.018	18.585	293.538
Additions	6.478	-	579	33.180	252	40.489
Revaluation differences	24.090	-	-	-	-	24.090
Disposals	-	-	(987)	(4.181)	(3.138)	(8.306)
Impairment losses(-)/Reversal of impairment losses	(266)	-	-	-	3	(263)
Transfers	-	-	-	-	21.153	21.153
Ending balance: December 31, 2012	206.735	-	2.094	125.017	36.855	370.701
Accumulated depreciation(-)						
Opening balance: January 1, 2012	13.990	-	1.721	46.201	477	62.389
Depreciation expense	3.861	-	363	14.098	630	18.952
Reversal of depreciation of the disposed assets	(32)	-	(887)	(3.963)	(95)	(4.977)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2012	17.819	-	1.197	56.336	1.012	76.364
Total cost at the end of the year	206.735	-	2.094	125.017	36.855	370.701
Total accumulated depreciation at the end of the year	17.819	-	1.197	56.336	1.012	76.364
Closing net book value	188.916	-	897	68.681	35.843	294.337

As of December 31, 2013, the Parent Bank has revalued its immovables and revaluation fund of TL 96.712 (Prior period- TL 55.522) net of deferred tax and depreciation, has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 107.289 (Prior period- TL 119.781) if revaluation method had not been adopted.

13. Information on intangible assets:

a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost	29.865	15.872
Accumulated depreciation(-)	13.936	8.820
Total (net)	15.929	7.052

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	7.052	4.798
Additions	13.973	5.286
Disposals (-), net	-	-
Depreciation expense (-)	5.096	3.032
Closing net book value	15.929	7.052

14. Information on investment property:

The Parent Bank does not have investment property.

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15. Information related to deferred tax asset:

As of December 31, 2013, the Group calculated deferred tax asset of TL 33.314 (December 31, 2012: TL 22.910) and deferred tax liability of TL 24.958 (December 31, 2012: TL 14.992) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods and presented them as net in the accompanying financial statements.

	Current Period	Prior Period
Discount on profit share and deferred commission income	23.346	18.364
Provisions for retirement and vacation pay liabilities	7.977	3.849
Marketable securities valuation reserve	1.185	-
Difference between carrying value and tax base of tangible assets	454	452
Provision for impairment	382	175
General reserves for possible losses	14	22
Other	40	48
Deferred tax asset	33.398	22.910
Revaluation reserve of immovables	24.178	13.880
Marketable securities valuation reserve	212	340
Discount on profit share	88	6
Trading securities valuation reserve	-	298
Other	564	468
Deferred tax liability	25.042	14.992
Deferred tax asset (net)	8.356	7.918

16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the consolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

	Current Period	Prior Period
Opening Balance	10.714	25.372
Additions	42.628	15.097
Disposals	(16.374)	(8.526)
Transfers (*)	(8.045)	(21.153)
Impairment Provision(-)/Reversal of Impairment Provision	(516)	(76)
Net closing balance	28.407	10.714

(*) The balance is transferred to assets to be disposed included in tangible assets.

The Group has no discontinued operations and assets of discontinued operations.

17. Information on other assets:

As of the balance sheet date, the Group's other assets balance is TL 58.367 (December 31, 2012: TL 38.496) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

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II. Explanations and notes related to liabilities:

1. Information on funds collected:

a) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	520.107	-	-	-	-	-	-	-	520.107
II. Real Persons Participation Accounts Non-Trade TL	-	3.366.875	809.658	86.932	-	28.740	420.175	-	4.712.380
III. Current Account other-TL	922.112	-	-	-	-	-	-	-	922.112
Public Sector	18.029	-	-	-	-	-	-	-	18.029
Commercial Institutions	873.573	-	-	-	-	-	-	-	873.573
Other Institutions	27.147	-	-	-	-	-	-	-	27.147
Commercial and Other Institutions	2.434	-	-	-	-	-	-	-	2.434
Banks and Participation Banks	929	-	-	-	-	-	-	-	929
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	274	-	-	-	-	-	-	-	274
Participation Banks	655	-	-	-	-	-	-	-	655
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	671.069	345.486	109.846	-	101.743	136.108	-	1.364.252
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	629.331	196.949	108.418	-	101.734	122.917	-	1.159.349
Other Institutions	-	39.124	45.944	1.428	-	9	9.389	-	95.894
Commercial and Other Institutions	-	2.614	1.123	-	-	-	-	-	3.737
Banks and Participation Banks	-	-	101.470	-	-	-	3.802	-	105.272
V. Real Persons Current Accounts Non-Trade FC	464.824	-	-	-	-	-	-	-	464.824
VI. Real Persons Participation Accounts Non-Trade FC	-	1.459.461	438.269	95.481	-	18.377	352.111	-	2.361.699
VII. Other Current Accounts FC	472.670	-	-	-	-	-	-	-	472.670
Residents in Turkey-Corporate	406.538	-	-	-	-	-	-	-	406.538
Residents Abroad-Corporate	25.388	-	-	-	-	-	-	-	25.388
Banks and Participation Banks	40.744	-	-	-	-	-	-	-	40.744
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	36.072	-	-	-	-	-	-	-	36.072
Participation Banks	4.672	-	-	-	-	-	-	-	4.672
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	534.021	676.219	69.386	-	25.317	62.298	-	1.367.241
Public sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	395.237	401.721	10.206	-	-	42.916	-	850.080
Other institutions	-	29.930	2.255	7	-	-	-	-	32.192
Commercial and Other Institutions	-	49.307	64.945	5.851	-	1.102	3.085	-	124.290
Banks and Participation Banks	-	59.547	207.298	53.322	-	24.215	16.297	-	360.679
IX. Precious Metals Deposits	188.350	-	149.530	1.589	-	712	746	-	340.927
X. Participation Accounts Special	-	-	-	-	-	-	-	-	-
Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts Special	-	-	-	-	-	-	-	-	-
Fund Pools - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+...+IX+X+XI)	2.568.063	6.031.426	2.419.162	363.234	-	172.889	971.438	-	12.526.212

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1. Information on funds collected (continued):

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current									
Accounts Non-Trade TL	297.366	-	-	-	-	-	-	-	297.366
II. Real Persons Participation									
Accounts Non-Trade TL	-	644.324	167.469	27.565	-	1.979	2.672.571	-	3.513.908
III. Current Account other-TL	480.588	-	-	-	-	-	-	-	480.588
Public Sector	20.029	-	-	-	-	-	-	-	20.029
Commercial Institutions	444.522	-	-	-	-	-	-	-	444.522
Other Institutions	14.779	-	-	-	-	-	-	-	14.779
Commercial and Other Institutions	94	-	-	-	-	-	-	-	94
Banks and Participation Banks	1.164	-	-	-	-	-	-	-	1.164
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	167	-	-	-	-	-	-	-	167
Participation Banks	997	-	-	-	-	-	-	-	997
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	94.543	189.076	124.733	-	70.901	764.457	-	1.243.710
Public Sector	-	10	-	-	-	-	1	-	11
Commercial Institutions	-	89.667	168.640	122.391	-	70.900	613.103	-	1.064.701
Other Institutions	-	4.866	19.398	2.342	-	1	147.804	-	174.411
Commercial and Other Institutions	-	-	1.038	-	-	-	-	-	1.038
Banks and Participation Banks	-	-	-	-	-	-	3.549	-	3.549
V. Real Persons Current									
Accounts Non- Trade FC	230.163	-	-	-	-	-	-	-	230.163
VI. Real Persons Participation									
Accounts Non-Trade FC	-	294.512	138.365	23.133	-	3.671	1,306,992	-	1,766,673
VII. Other Current Accounts									
FC	537.895	-	-	-	-	-	-	-	537.895
Residents in Turkey-Corporate	441.060	-	-	-	-	-	-	-	441.060
Residents abroad-Corporate	24.863	-	-	-	-	-	-	-	24.863
Banks and Participation Banks	71.972	-	-	-	-	-	-	-	71.972
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	70.668	-	-	-	-	-	-	-	70.668
Participation Banks	1.304	-	-	-	-	-	-	-	1.304
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts									
other- FC	-	73.073	214.095	48.170	-	55.232	482.137	-	872.707
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	15.609	115.773	796	-	-	401.512	-	533.690
Other Institutions	-	354	28.589	3	-	-	26.731	-	55.677
Commercial and Other Institutions	-	56	50	-	-	-	40.720	-	40.826
Banks and Participation Banks	-	57.054	69.683	47.371	-	55.232	13.174	-	242.514
IX. Precious Metals Deposits	212.757	-	68.744	225	-	-	282	-	282.008
X. Participation Accounts									
Special Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts									
Special Fund Pools -FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	1,758,769	1,106,452	777,749	223,826	-	131,783	5,226,439	-	9,225,018

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1. Information on funds collected (continued):

b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	2.588.347	1.704.459	2.644.139	2.102.987
Foreign currency accounts	990.673	629.491	2.146.456	1.638.371
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Numbered 5411.

b.2) Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance:

The head office of the Bank is in Turkey.

b.3) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	9.774	6.265
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	5.640	4.701
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

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2. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	2.804	-	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	2.804	-	-	-

3. Information on borrowings:

The Parent Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 61.000.000 and EUR 64.500.000 with maturity of one year and amounting to USD 135.000.000 and EUR 98.000.000 with maturity of two years, totaling to USD 196.000.000 and EUR 175.500.000. The Loan agreement has been signed on September 12, 2013.

As of December 31, 2013, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from international and domestic banks in the amounts of USD 343.292.089 and EUR 104.772.443, USD 1.730.000 and EUR 1.800.000 respectively.

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	47.392	-	-
Loans from foreign banks, institutions and funds	-	1.988.424	-	1.393.830
Total	-	2.035.816	-	1.393.830

b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.414.563	-	1.393.830
Medium and Long-Term	-	621.253	-	-
Total	-	2.035.816	-	1.393.830

c) Additional disclosures on concentration areas of Bank's liabilities:

The Parent Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

As of balance sheet date, other liabilities do not exceed 10% of the balance sheet total.

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5. Lease payables:

a) Information on finance lease transactions:

a.1) Information on financial lease agreements:

The Group has no obligation from finance lease operations as of balance sheet date.

a.2) Explanations on the changes in agreements and new obligations originating from these changes:

None.

a.3) Explanations on the obligations originating from finance leases:

None.

b) Explanations on operational leases:

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	23.451	18.825
1 to 4 years	66.677	54.320
Over 4 years	62.254	49.550
Total	152.382	122.695

6. Information on hedging derivative financial liabilities:

The Group does not have hedging derivative financial liabilities.

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7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General provision for	113.708	103.100
I. Group loans and receivables (Total)	86.549	85.480
Participation Accounts' Share	55.687	55.007
Bank's Share	30.862	30.473
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	-	869
Participation Accounts' Share	-	739
Bank's Share	-	130
Others	-	-
II. Group loans and receivables (Total)	15.598	5.552
Participation Accounts' Share	10.643	3.343
Bank's Share	4.955	2.209
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	6.685	1.469
Participation Accounts' Share	4.493	562
Bank's Share	2.192	907
Others	-	-
Non-cash loans	11.561	12.068
Others	-	-

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2013, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 129 (December 31, 2012: TL 20.540) has been offset against the loans included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified and converted into cash:

As of December 31, 2013, the Parent Bank has provided specific provisions amounting to TL 12.629 (December 31, 2012: TL 10.053) for non-cash loans that are not indemnified and converted into cash.

ç) Other provisions:

ç.1) Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses (*)	72	108
Total	72	108

(*) The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

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7. Information on provisions (continued):

ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts(*)	33.033	963
Provision for unindemnified non-cash loans	12.629	10.053
Payment commitments for cheques	2.256	2.225
Provision for promotions related with credit cards and promotion of banking services	230	124
General reserves for possible losses	72	108
Financial assets at fair value through profit and loss	70	-
Total	48.290	13.473

(*) Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 16.526 (December 31, 2012: TL 14.850), vacation pay liability amounting to TL 5.939 (December 31, 2012: TL 4.395) and provision for performance premium amounting to TL 17.000 (December 31, 2012: None) totaling to TL 39.465 (December 31, 2012: TL 19.245). The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	10,34	8,6
Estimated increase rate of salary ceiling (%)	6,00	5,0
Rate used in relation to possibility of retirement (*) (%)	73,01	71,8

(*) The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	14.850	10.602
Provisions made in the period	3.958	9.204
Actuarial gain/(loss)	(420)	(2.899)
Paid during the period	(1.862)	(2.057)
Balance at the end of the period	16.526	14.850

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8. Information on taxes payable:

a) Explanations on current tax liability:

a.1) As of December 31, 2013, the Group's corporate tax payable is TL 22.749 (December 31, 2012: TL 13.969) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	22.749	13.969
Banking insurance transaction tax	7.444	4.818
Taxation on securities income	6.777	6.393
Value added tax payable	654	527
Taxation on real estate income	440	305
Foreign exchange transaction tax	-	-
Other	4.107	7.463
Total	42.171	33.475

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	1.705	2.163
Social security premiums-employer	1.832	2.161
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions- employees	-	-
Pension fund membership fees and provisions- employer	-	-
Unemployment insurance-employee	120	153
Unemployment insurance-employer	240	305
Other	-	-
Total	3.897	4.782

b) Information on deferred tax liability:

The Group does not have net deferred tax liability as of the balance sheet date.

9. Liabilities for assets held for sale and discontinued operations:

None.

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10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Domestic Banks	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	432.973	-	-
Total	-	432.973	-	-

The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey amounting to USD 200 million with 10 years maturity with a grace period of five years. The profit rate was determined as 7,75 %.

11. Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Parent Bank has taken a resolution on transition to registered capital system. The Parent 's application to the Capital Market Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2017.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

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

There is no capital increase in the current period.

ç) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

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

There are no capital commitments till the end of the last fiscal year and following interim period.

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11. Information on shareholders' equity (continued):

- e) **Estimated effects on the shareholders equity of the Parent Bank , of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:**

The Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through capital increase or transfer to reserves. Moreover, the Parent Bank's shareholders' equity is invested in liquid and earning assets.

- f) **Information on privileges given to stocks representing the capital:**

There is no privilege given to stocks representing the capital.

- g) **Information on marketable securities valuation reserve:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference (*)	(211)	(4.531)	1.266	(73)
Foreign exchange difference	-	-	-	-
Total	(211)	(4.531)	1.266	(73)

(*) The amount represents the net balance after deferred tax liability.

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III. Explanations and notes related to off-balance sheet commitments:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	458.540	306.032
Payment commitments for cheques	297.235	263.656
Asset purchase and sale commitments	65.383	528.733
Loan granting commitments	45.428	39.577
Share capital commitment to associates and subsidiaries	5.000	-
Tax and funds liabilities arising from export commitments	1.445	1.043
Commitments for promotions related with credit cards and banking activities	369	323
Other irrevocable commitments	2.819	2.781
Total	876.219	1.142.145

b) Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Guarantees	5.231.898	4.534.799
Letters of credit	482.011	477.833
Other guaranties and sureties	426.434	185.159
Acceptances	23.524	15.490
Total	6.163.867	5.213.281

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	5.231.898	4.534.799
Long standing letters of guarantees	3.262.242	2.854.776
Temporary letters of guarantees	475.388	496.096
Advance letters of guarantees	269.201	275.550
Letters of guarantees given to customs	219.985	173.679
Letters of guarantees given for obtaining cash loans	1.005.082	734.698
Sureties and similar transactions	426.434	185.159
Total	5.658.332	4.719.958

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III. Explanations and notes related to off-balance sheet commitments (continued):

c) Within the Non-cash Loans

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given for obtaining cash loans	1.005.082	734.698
With original maturity of 1 year or less	426.048	410.984
With original maturity of more than 1 year	579.034	323.714
Other non-cash loans	5.158.785	4.478.583
Total	6.163.867	5.213.281

c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TP	(%)	FC	(%)	TP	(%)	FC	(%)
Agricultural	76.864	2,60	18.382	0,58	123.945	4,34	10.567	0,45
Farming and stockbreeding	59.391	2,01	9.779	0,30	61.924	2,17	10.233	0,43
Forestry	17.171	0,58	7.425	0,24	62.019	2,17	200	0,01
Fishery	302	0,01	1.178	0,04	2	-	134	0,01
Manufacturing	907.448	30,69	1.510.004	47,08	817.564	28,59	924.033	39,26
Mining	39.757	1,34	47.502	1,48	24.956	0,87	6.001	0,25
Production	605.447	20,48	867.028	27,03	533.485	18,66	643.662	27,35
Electricity, gas and water	262.244	8,87	595.474	18,57	259.123	9,06	274.370	11,66
Construction	1.103.995	37,34	552.914	17,24	1.135.882	39,72	554.037	23,54
Services	757.413	25,62	850.419	26,52	446.690	15,62	541.914	23,03
Wholesale and retail trade	169.243	5,72	114.228	3,56	125.907	4,40	111.703	4,75
Hotel, food and beverage services	6.174	0,21	49.552	1,55	5.843	0,20	40.611	1,73
Transportation and telecommunication	38.593	1,31	33.646	1,05	39.603	1,38	47.122	2,00
Financial Institutions	62.333	2,11	370.994	11,57	60.543	2,12	199.754	8,49
Real estate and renting services	72.623	2,46	34.811	1,09	98.867	3,46	35.007	1,49
Self-employment services	13.372	0,45	109.507	3,40	11.918	0,42	90.738	3,85
Education services	20.010	0,68	133	0,01	14.072	0,49	82	0,00
Health and social services	375.065	12,68	137.548	4,29	89.937	3,15	16.897	0,72
Other	111.133	3,75	275.295	8,58	335.390	11,73	323.259	13,72
Total	2.956.853	100,00	3.207.014	100,00	2.859.471	100,00	2.353.810	100,00

c.3) Information on the non-cash loans classified in Group I and Group II:

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	2.908.939	3.181.615	47.914	25.399
Letters of guarantee	2.899.662	2.259.882	47.672	24.682
Bank acceptances	-	23.524	-	-
Letters of credit	-	482.011	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	9.277	416.198	242	717

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2. Explanations on derivative transactions:

	Derivative transactions according to purpose	
	December 31, 2013	December 31, 2012
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	591.316	-
Currency Forwards-Purchases, sales	591.316	-
Currency Swaps-Purchases, sales	-	-
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Interest Rate Related Derivative Transactions (II)	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I + II + III)	591.316	-
Hedging Derivatives	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	591.316	-

3. Explanations on contingent assets and liabilities:

The Parent Bank has made a provision amounting to TL 72 (December 31, 2012: TL 108) as presented under "Other Provisions" note in Section Five Note II.7.ç, for the lawsuits opened by various real persons and legal entities against the Parent Bank with high probability of realization and cash outflows and. Although there are other ongoing lawsuits against the Parent Bank, the Parent Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

4. Explanations on services rendered on behalf of third parties:

The Group has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions

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IV. Explanations and notes related to the statement of income:

I. Information on profit share income:

a) Information on profit share income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share received from loans (*)	979.383	115.719	903.594	62.810
Short Term Loans	382.732	17.882	395.017	8.091
Medium and Long Term Loans	586.784	95.919	502.727	54.342
Loans Under Follow up	9.867	1.918	5.850	377
Premiums Received from Resource Utilization Support Fund	-	-	-	-

(*) Includes fees and commission income on cash loans.

b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic Banks	-	-	1.199	-
Foreign Banks	-	1.680	-	513
Head Offices and Branches Abroad	-	-	-	-
Total	-	1.680	1.199	513

c) Information on profit share income received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	-	-	-	-
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	8.525	1.836	5.782	344
From held-to-maturity investments	41.596	28	18.503	172
Total	50.121	1.864	24.285	516

ç) Information on profit share income received from associates and subsidiaries:

The Parent Bank has not received profit share income from associates and subsidiaries.

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2. Explanations on profit share expenses:

a) Information on profit share expense paid to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	38.262	-	30.549
CBRT	-	-	-	-
Domestic banks	-	246	-	218
Foreign banks	-	38.016	-	30.331
Head offices and branches abroad	-	-	-	-
Other institutions	-	20.904	-	-
Total	-	59.166	-	30.549

b) Profit share expense paid to associates and subsidiaries:

There is no profit share expense paid to associates and subsidiaries of the Bank.

c) Profit share expenses paid to marketable securities issued:

There is no profit share expense paid to marketable securities of the Bank.

ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

Profit sharing accounts								
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year	Accumulated profit sharing account	Total
TL								
Funds collected from banks through current and profit sharing accounts	-	1.870	-	-	7.896	301	-	10.067
Real persons' non-trading profit sharing accounts	139.907	34.990	4.499	-	1.439	80.440	-	261.275
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	26.427	16.214	15.166	-	2.150	21.074	-	81.031
Other institutions profit sharing accounts	2.840	2.687	116	-	201	3.085	-	8.929
Total	169.174	55.761	19.781	-	11.686	104.900	-	361.302
FC								
Banks	2.343	5.622	1.420	-	1.762	554	-	11.701
Real persons' non-trading profit sharing accounts	28.455	7.787	1.960	-	338	22.057	-	60.597
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	8.181	9.549	317	-	20	4.883	-	22.950
Other institutions profit sharing accounts	2.490	1.721	49	-	1.192	1.327	-	6.779
Precious metals deposits	-	1.065	7	-	-	2	-	1.074
Total	41.469	25.744	3.753	-	3.312	28.823	-	103.101
Grand total	210.643	81.505	23.534	-	14.998	133.723	-	464.403

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3. Information on dividend income:

	Current Period		Prior Period	
	TP	YP	TP	YP
From trading financial assets	459	-	788	-
From financial assets at fair value through profit and loss	-	-	-	-
From available for sale financial assets	-	-	-	-
Other	-	-	-	-
Total	459	-	788	-

4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	2.888.474	2.090.743
Income from capital market transactions	18	-
Income from derivative financial instruments	-	-
Foreign exchange income	2.888.456	2.090.743
Loss (-)	2.851.293	2.070.346
Loss on capital market transactions	-	175
Loss on derivative financial instruments	2.804	-
Foreign exchange losses	2.848.489	2.070.171
Trading income/loss (net)	37.181	20.397

5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	96.005	73.779
Income from sale of assets	15.562	5.935
Reimbursement for communication expenses	2.738	1.976
Reimbursement for bank statement expenses	1.332	1.348
Cheque book charges	725	659
Other income	2.452	1.425
Total	118.814	85.122

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6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	146.065	84.385
Loans and receivables in III. Group	103.128	33.715
Loans and receivables in IV. Group	27.433	40.712
Loans and receivables in V. Group	11.604	6.834
Doubtful commission, fee and other receivables	3.900	3.124
General provision expenses	10.588	30.689
Provision expenses for possible losses	28	1
Impairment losses on marketable securities	205	-
Financial assets at fair value through profit and loss	205	-
Financial assets available for sale	-	-
Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other(*)	33.997	7.337
Total	190.883	122.412

TL 90.811 (December 31, 2012: TL 63.675) of the total specific provisions provided for loan and other receivables amounting to TL 146.065 (December 31, 2012: TL 84.385) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 6.044 (December 31, 2012: TL 20.035) of the total general loan loss provisions provided for loan and other receivables amounting to TL 10.588 (December 31, 2012: TL 30.689) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(*) Related amount includes participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans", amounting to TL 28.370 (September 30, 2012: TL 2.386).

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7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	227.302	201.416
Provision for retirement pay liability	2.096	4.248
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	266
Depreciation expenses of tangible assets	23.094	18.153
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	5.096	3.077
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1.058	100
Depreciation expenses of assets to be disposed	669	630
Impairment expenses of assets held for sale and assets of discontinued operations	960	101
Other operating expenses	76.467	66.552
Operating lease expenses	30.432	26.323
Maintenance expenses	4.207	3.600
Advertisement expenses	5.143	7.145
Other expenses	36.685	29.484
Loss on sale of assets	524	189
Other(*)	67.135	47.189
Total	404.401	341.921

(*) Details of other balance are provided below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	17.321	11.614
Taxes, Duties, Charges and Funds	15.923	12.963
Provision expenses for short term employee rights	18.544	690
Audit and Consultancy Fees	5.942	9.237
Other	9.405	12.685
Total	67.135	47.189

8. Explanations on income/loss from continued operations before taxes:

As the Group does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Group's income before tax increased is realized as TL 299.107. Income before tax comprises net profit share income in the amount of TL 625.176 and fees and commission income in the amount of TL 113.197. Total other operating expenses amount to TL 404.401.

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9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	299.543	241.225
Tax calculated with tax rate of 20%	59.909	48.245
Other additions and disallowable expenses	3.838	4.882
Deductions	(5.613)	(3.737)
Tax calculated	58.134	49.390

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations:

The Group has no discontinued operations. After deducting TL 436 (loss on equity method) from Parent Bank's income from continued operations (TL 299.543, Prior Period – TL 241.225) the Group's income from continued operations amount to TL 299.107. Net income for the related period is TL 240.973 after deducting tax provision expenses for the period amounting to TL 58.134.

11. Explanations on net income/ loss:

a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

c) Income / loss of minority interest:

None.

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12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10 % of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS	24.012	30.274
Commissions on money orders	7.760	7.037
Clearing room	6.938	5.610
Appraisal fees	5.332	3.412
Insurance and brokerage commissions	4.314	3.606
Other	10.585	7.800
Total	58.941	57.739

Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed	7.051	7.429
Credit cards commissions and fees	6.180	4.330
Member firm-POS	5.694	6.123
Other	8.655	3.927
Total	27.580	21.809

V. Explanations and notes related to the statement of changes in shareholders' equity:

- a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.

Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 7.419 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2012: TL 3.289 increase).
- c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Parent Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Parent Bank are accounted in other capital reserves (December 31, 2013: TL 502, December 31, 2012: TL 354).

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VI. Explanations and notes related to the statement of cash flows:

- a) Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

- (i). Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
Cash	325.032	458.519
Cash in TL/foreign currency	109.123	107.332
Cash in transit	-	-
CBRT	215.909	351.187
Cash equivalents	1.037.112	1.307.472
Domestic banks	790.868	1.072.606
Foreign banks	246.244	234.866
Total cash and cash equivalents	1.362.144	1.765.991

- (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	503.284	325.032
Cash in TL/foreign currency	128.349	109.123
Cash in transit	-	-
CBRT	374.935	215.909
Cash equivalents	1.378.708	1.037.112
Domestic banks	1.050.995	790.868
Foreign banks	327.713	246.244
Total cash and cash equivalents	1.881.992	1.362.144

2. **Cash and cash equivalent items which are restricted for the usage of the Group by legal or other limitations:**

Restricted time deposits held at the Central Bank of Turkey are not considered as cash and cash equivalent items.

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VI. Explanations and notes related to the statement of cash flows (continued):

3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 259.771 (Prior period- TL (-) 14.864) mainly comprises other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (30.699) (Prior period - TL 31.939) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 100.043 as of December 31, 2013 (Prior period - TL 2.065).

VII. Explanations related to the risk group of the Parent Bank:

1. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

a) Current period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	-	-	9	-	34.253	10.305
Balance at the end of the period	-	-	28	-	1.476	15.514
Profit share and commission income received	-	-	-	-	3.000	27

b) Prior period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of period	-	-	8	-	179	38.037
Balance at end of period	-	-	9	-	34.253	10.305
Profit share and commission income received	-	-	-	-	235	191

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c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect Shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	33	41	1.647	1.360	229.835	350.647
Balance at the end of period	5.703	33	3.224	1.647	185.192	229.835
Profit share expense	-	-	300	214	7.242	10.290

- (*) As of December 31, 2013 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 214.182.338 and EURO 96.424.370 (December 31,2012: USD 148.629.432 and EURO 76.113.509). The profit share expense relating to such borrowings for the period between January 1, 2013 – December 31, 2013 is TL 11.582 (December 31, 2012: 10.944 TL).

c.2) Information on forward and option agreements and other similar agreements with related parties:

The Group does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2013; the Group has paid TL 9.357 (December 31, 2012: TL 8.320) to top management.

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Notes related to consolidated financial statements
As at December 31, 2013
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VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

1. Information on the domestic and foreign branches and representative offices of the Parent Bank:

	Number	Number of Personnel			
Domestic Branches	166	3.044			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (thousand TL)	Statutory Share Capital
Foreign Branches	1	13	Iraq	84.194	USD 7.000.000
Off-Shore Branches	-	-	-	-	-

2. Information on the Parent Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2013, the Parent Bank has opened 30 domestic branches.

IX. Explanations related to subsequent events:

- 1) According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey dated December 25, 2013 and numbered 28862, reserve deposit calculation principles and calculation method has changed however reserve deposit rates did not change . New method and calculation will be applicable as of the January 17, 2014.
- 2) In the Board of Directors' meeting dated February 20, 2014 it was decided to propose to the Shareholders' General Assembly for distribution of d TL 31.500 from net income for the year 2013.

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Notes related to consolidated financial statements

As at December 31, 2013

(Currency - Thousand Turkish Lira)

Section six

- I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification :**

None.

Section seven

Independent Auditors' report

- I. Explanations on independent auditors' report:**

The Group's consolidated financial statements as of and for the year ended December 31, 2013 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated February 20, 2014 is presented at the beginning of the consolidated financial statements and related notes.

- II. Other notes and explanations prepared by the independent auditors:**

None.