



بانك ملت bank mellat

ANNUAL REPORT
BANK MELLAT TURKEY
2013

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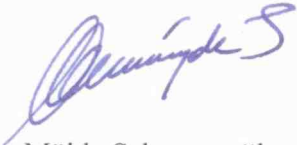
To the General Assembly of Bank Mellat Merkezi Tahran Türkiye Şubeleri:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Bank Mellat Merkezi Tahran Türkiye Şubeleri ("Bank") prepared as of December 31, 2013 with the audited financial statements as of and for the same period then ended. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411 and Turkish Commercial Code ("TCC") No: 6102. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial information regarding the financial position of Bank Mellat Merkezi Tahran Türkiye Şubeleri as of December 31, 2013 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411 and TCC. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary management report and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Müjde Şehsuvaroğlu
Partner

Istanbul, May 5, 2014

I. GENERAL PRINCIPLES WITH RESPECT TO THE ANNUALREPORT

- 1. Reporting period** : 2013
- 2. Trade Name of the Branch** : Bank Mellat Merkezi Tahran İran İstanbul
Türkiye Merkez Şubesi
- 3. Address of Bank Mellat Headquarters** : Taleghani Avenue. No: 327 Tehran – İran
Address of the Branch in Turkey : Büyükdere Cad. Binbirçiçek Sok No.1 34330
1. Levent - İstanbul / Türkiye
- 4. Phone** : (0212) 279 80 15
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- 6. Electronic Website** :www.mellatbank.com
- 7. Electronic Mail** : mellat@mellatbank.com

II. CONTENTS of THE ANNUAL REPORT

a) Introduction

1. Summary Financial Information

Financial Statement (TL -thousand)

PRIMARY ACCOUNTS	2013	2012	Increase / (Decrease)	
			Amount	(%)
Cash Reserves and Central Bank	75.865	121.934	-46.069	-37,78
Banks	76.110	172.082	-95.972	-55,77
Credits	23.121	29.622	-6.501	-21,95
Available For Sale Financial Assets	150.095	73.731	76.364	103,57
Other Assets	10.192	10.670	-478	-4,48
Total Assets	335.383	408.039	-72.656	-17,81
Deposit	137.621	209.721	-72.100	-34,38
Borrowed loans	-	-	0	0,00
Provisions (Tax and Other)	4.624	5.032	-408	-8,11
Other Liabilities	3.678	9.207	-5.529	-60,05
Shareholder's Equity	189.460	184.079	5.381	2,92
Total Liabilities	335.383	408.039	-72.656	-17,81

Income Statement (TL -thousand)

PRIMARY ACCOUNTS	2013	2012	Increase / (Decrease)	
			Amount	(%)
Net Interest Income	13.582	33.315	-19.733	-59,23
Net Fee and Commission Revenues	1.744	9.205	-7.461	-81,05
Other Revenues (net)	3.775	3.989	-214	-5,36
Total Revenues	19.101	46.509	-27.408	-58,93
Other Operating Charges	-10.302	-14.955	4.653	-31,11
Provision for Credit and Other Receivables	-274	-50	-224	448,00
Profit Before Tax	8.525	31.504	-22.979	-72,94
Tax Provision	-1.566	-5.912	4.346	-73,51
Net Profit	6.959	25.592	-18.633	-72,81

2 Historical Development of the Branch

Bank Mellat Iran being established in 1980 through nationalization of 10 private banks as a state bank in 2008 was registered to Tehran Stock Exchange and opened to public. The bank of which size of assets is USD 47.795 million as of the date of 20th March 2013 has a USD 2.290 million shareholder's equity as of the same date. The Bank has the branches in Turkey, Armenia and Korea and subsidiary banks in the UK, in Germany and Malaysia. Primary purpose of the branches and subsidiaries outside of Iran is to play intermediary role in foreign trade transactions between Iran and especially these countries and the third countries. The Branch is granted permission to operate as the branch of a foreign bank established in Turkey by the decree of Council of Ministers issued on 05th February 1981 numbered.82/2406.

Bank Mellat has 3 branches in Turkey, the Main Branch in Istanbul which became operational on 16th April 1982, and the branches in Ankara and Izmir.

3 Shareholding Structure of the Branch

Shareholding structure of the Bank Mellat Tehran, Iran which possesses the whole capital of the Branch is as follows:

Shareholder	31.12.2013 (*)	15.02.2014 (**)	31.03.2014 (***)
	Share percentage (%)	Share percentage(%)	Share percentage(%)
Equity shares (Public Shares)	30	30	30
State of Islamic Republic of Iran	20	19,66	19,66
Social Security Institution of Iran	9,99	9,99	9,99
Saba Tamin Investment Company	6,57	6,49	6,49
Bank Mellat Employee Future Trust Fund	5	5,10	5,24
Personnel Shares	3,96	3,96	3,96
Publicly traded Other Shares	24,48	24,80	24,66
Total	100	100	100

(*)Mentioned shares are distributed among the provinces in Iran and investment companies were established in each province for management of the portfolio. BRSA was notified of this matter by written notice of the Branch dated 16th August 2011.

(**) Its shareholding structure as of the date of 15.02.2014 which was reported by the General Directorate for Financial Affairs, Directorate for Stock Market and Stocks of Bank Mellat Iran was submitted to the BRSA (Banking Regulation and Supervision Agency) by the written notice dated 27.02.2014 and numbered 1007.

(***)Its shareholding structure as of the date of 31.03.2014 which was reported by the General Directorate for Financial Affairs, Directorate for Stock Market and Stocks of Bank Mellat Iran was submitted to the BRSA by the written notice dated 07.04.2014 and numbered 1610.

4 Changes in its Capital and Shareholding Structure within the Current Period

There is not any change in paid capital of the Branch within the current period.

5 Titles of Natural or Legal Persons who hold Qualified Shares and Information about Their Share

100% controlling capital holder of the Branch is the Bank Mellat residing in Tehran Iran. Natural or legal persons who hold qualified shares of the Bank Mellat Tehran, Iran as of the end of the period are indicated in the following table.

	Share Amounts	Share Rates	Paid Shares	Unpaid Shares
Equity shares (Public Shares)	47.074	30,00%	47.074	-
State of Islamic Republic of Iran	31.383	20,00%	31.383	-

6 Description of the Shares, if any, Held by the Chairman and Members of the Board of Managers and General Manager and Deputy General Managers of the Branch

There is not any share held by the chairman and members of the Board of Managers and the general manager and deputy general managers.

7 Remarks on the Operating Period made by the Chairman of the Board of Managers and General Manager and Their Prospects

7.1. Chairman's Message

In the second half of 2013 an increase in the volume of world trade occurred in parallel with global developments. As expected, consumer demand in developed countries increased. In developing countries, while domestic demand is at a low level export gives impetus to economic growth. Most of these countries have already begun to take advantage of increase in demand.

In Euro zone which is the most important export market for the country a return from recession to economic recovery is observed. Despite such positive developments downside risks continue to exist. FED's statements in December 2013 that the central bank intends to reduce asset purchases caused monetary relief even a little in the markets in developed countries. However, in developing countries tightening in financial conditions has become stronger since FED's first statements in May 2013 regarding its asset purchases. In almost all of these emerging markets exchange rate volatility and volatility in monetary and capital markets are still continuing. Similarly mobility in capital movements is also observed. Combination of shrinking domestic demand and market volatility may result in sharp capital outflows and exchange rate adjustments.

As a matter of fact confusion in political risk perception of investors and continuing high current account deficit resulted in that impacts of FED's statements were felt stronger; sharp fluctuations have been experienced in the markets since the May. Branch Management succeeded to minimize impacts of aforesaid developments and moreover turn into an advantage time to time thanks to its prudential and right decisions.

As is known, our Bank encounters difficulties due to imposed international sanctions. Despite current bad situations a significant shrinkage in foreign trade volume between Turkey and Iran did not occur. This helps waiting in hope of getting back into normal operation conditions in our Branch as soon as possible.

Despite aforesaid problems our management paid strict attention to maintain soundness of financial structure of our Bank and ensured that the Bank is not adversely affected by market fluctuations. Even under aforesaid bad conditions the Branch succeeded to make a trifling profit at the end of 2013.

I would like to express my gratitude for support of our customers and employees.

7.2. General Manager's Message

The conditions which began to adversely affect the operations of the Branch from the year 2011 continued to exist in 2013. These negative impacts do not result from large fluctuations associated with macroeconomic conditions or volatility in the markets and faulty strategies or policies. Local and international sanctions imposed against the Branch interrupt normal operations and this affects operational outcomes significantly. As a matter of fact, the bank which achieved a rapid growth and satisfactory profitability in the years previous to the effect of the sanctions downsized rapidly in 2012 and the downsizing process finished in the second half of 2013. Because the impacts of sanctions decreased gradually in 2012 operational outcomes were affected fewer. 2013 activity report shows the extent of affection of the operations of the Branch clearly.

Imposed sanctions restricted significantly playing intermediary role in foreign trade transactions and financing such operations which are the core business of the Bank. This resulted in a substantial decrease in the amount of commission revenues which is an important source of income of the Bank and decrease in financial operations also caused a significant decline in interest revenues.

Despite encountered such problems our management paid strict attention to maintain soundness of financial structure of the Branch and tried to minimize adverse effects of such fluctuations on the operations of the Branch. In forthcoming periods our management will focus on preventing depreciation of our equity capital during continuance of the sanctions.

Some crucial developments occurred within the year. Negotiations commenced in the fourth quarter of 2013 between Iran and 5 permanent members of United Nations plus Germany resulted in a six month transition period agreement in January 2014. Though this creates a relaxation environment it is believed that positive developments and relaxation of the sanctions resulting from relaxed relationships will not occur before the second quarter of 2014 at the earliest. Therefore it is predicted that the conditions of 2013 will continue for a long time in 2014 and at best operations of the Bank will return to normal from the fourth quarter of the year.

8. Remarks on the Staff, Number of Branches, Service Type of the Branch, Its Fields of Activity and Its Position in the Sector.

The branch performs various banking operations. Its core business includes playing intermediary role in trade transactions with the Islamic Republic of Iran and financing such operations when required.

The Bank has 3 branches in Turkey, including the Main branch. It provides all the banking services within the scope of the granted permission through its branches. It is engaged in opening deposit accounts in Turkish Lira and foreign exchange, making international money transfers, acting as an intermediary for cashing checks or clearing bills and as an exchange dealer and meeting any kind of cash and non-cash loan demands, particularly acting as an intermediary for export and import transactions. Pursuant to ongoing policies and as a result of the fact that the loans are largely secured through pecuniary guarantee the branch operates with a higher capital adequacy ratio in comparison to the sector average.

The Branch employs 50 persons as of 31 December 2013 (31 December 2012: 57 employees).

b) Information about the Management and Corporate Governance Practices

1. Board of Managers

The vision, mission, short and long term strategic objectives of our Branch which operates as the branch in Turkey of a bank founded abroad are determined by the Board of Managers, established in accordance with the Article 23 of the Banking Law no. 5411, and with such powers and responsibilities of an executive board.

The Board of Managers, consisting of three members as of the end of the period, meets at appropriate intervals and reviews the specified policies and strategies depending upon changing conditions. The Board of Managers of our Branch also acts as the credit committee.

The Board of Managers provisionally delegates some of its powers to the senior management based on the decisions made from time to time.

Written proposals and requests regarding the agenda are submitted to the approval of the Board of Managers together with all the necessary documents at the meeting and the proposals and requests approved by the Board of Managers are forwarded to the executives for implementation following the meeting. The proposals approved by the Board of Managers are then formalized as a resolution and opened for signature of the Chairman and Members of the Board of Managers no later than the last day of the month the meeting is held. In our Bank, all decisions relating to loans are taken by the Board of Managers.

The curriculum vitae and professional experiences of the members of the Board of Directors are as follows.

Dr. ALI DIVANDARI – Chairman of the Board of Managers

Dr. Ali DIVANDARI has Ph.d degree awarded by the Department of Management at Tehran University, Iran. During his banking career which started in 1998, he worked as Chairman of R&D and General Manager's Adviser, Member of the Executive Board, Chairman of the Executive Board and General Manager respectively. He has been working as General Manager at Tehran Headquarters since March 2012 and has taken office in our Branch on 02.11.2012.

YOUNES HORMOZI SHEIKH TABAGH – General Manager and Member of the Board of Managers

Younes Hormozi Sheikh Tabagh completed his education by graduating from Allameh Tabatabaee University in Iran. During his banking career which started in 1976, he worked as the head of loans, deputy manager of foreign exchange accounting, manager of foreign exchange accounting, accounting manager in Istanbul Branch, deputy general manager for foreign transactions and deputy general manager for financial affairs. Younes Hormozi Sheikh Tabagh, who worked as the general Manager since March 2003 and resigned from the office of General Manager in 2008 March, was appointed as the General Manager after his resignation from the office of the Chairman of the Board of Managers on 30.09.2011.

YUSUF ÇAĞALA - Member who is Responsible for Internal Systems acting as Audit Committee

Yusuf Çağala who is a graduate of Finance Department of the Faculty of Management of Istanbul University started his banking career in 1978. Aforesaid person who worked in various positions for several banks joined the Branch in December 2006. He worked as Risk Management Department Executive from 2008 until 19.07.2013 when he was appointed as the member of the Board of Managers. Yusuf Çağala has been appointed as the Member of Audit Committee who is Responsible for Internal Systems on 02/08/2013.

2. Senior Management

General Manager is responsible for the management and operation of the Branch and the departments in accordance with the rules and the on risk management principles determined by the Board of Managers. Information about senior managers are as follows.

YOUNES HORMOZI SHEIKH TABAGH – General Manager

Mentioned in section, Board of Managers.

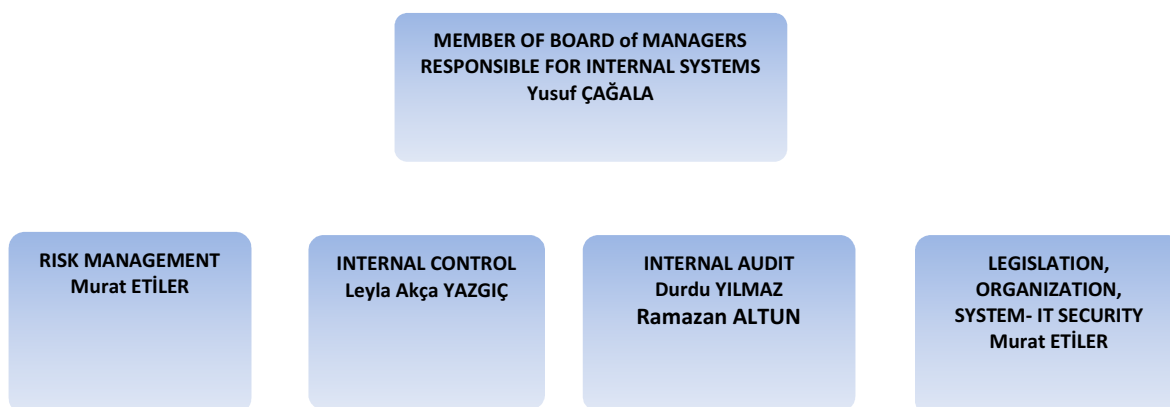
AHMAD JAMEHDOR – Deputy General Manager–Vice General Manager

Ahmad Jamehdor is a graduate of Ankara Academy of Economical and Commercial Sciences Department of Banking and Insurance. He started his professional banking career at our Bank in 1985 and worked in several departments such as current accounts, remittances, accounting, human resources, and financial affairs. He was appointed as the Vice General Manager in May 2009. He acts as Vice General Manager who is responsible for Financial Control, Treasury, Information Systems, Human Resources and Administrative Affairs and Operation. He has been appointed as Deputy General Manager in September 2013.

3. Information About the Operations Conducted Pursuant to the Provisions of the Regulation on the Internal Systems of Banks and the Department Managers Regarding Internal Systems

Internal Audit, Internal Control and Risk Management systems are under the governance of the Board of Managers and subject to the supervision of non-executive member who is responsible for internal systems. The member who is responsible for internal systems is liable to communicate any issue that may have any adverse effect on the operations of the Branch to the Board of Managers by means of the reports received regularly from independent audit institution and internal control, internal audit and risk management departments.

Internal Audit, Internal Control and Risk Management Departments function pursuant to the Regulations approved by the Board of Directors. Organization Chart of Internal Systems is as follows.



Vocational information of line managers working within internal systems of the Branch are indicated below.

Durdu Yılmaz, Internal Audit Department: He has Bachelor's degree and 22 years of banking experience. He was assigned to the management of Internal Audit on 01.10.2012 from the management of Internal Control.

Leyla Akça Yazgıç, Internal Control Department: She has a Bachelor's degree and has been working for the Branch for 18 years. She was appointed as the manager of Internal Control on 01.10.2012.

Murat Etiler, Risk Management Department: He has Bachelor's degree and 23 years of banking experience. He has been working at the Branch for almost six years. He has been appointed as the department executive on 12.08.2013.

4. Other Committees

Names, tasks, powers and members of miscellaneous committees within our Branch are explained below:

The committees have been established pursuant to the regulations as specified under the Banking Law no. 5411 and relevant legislation and organized in accordance with those regulations and every required measure to allow them to work independently have been taken by the Branch.

Asset/Liability Committee

Assets & liabilities committee, consisting of the vice general managers under the chairmanship of the General Manager is responsible for evaluation of market conditions and determining the policies regarding maturity consistency between assets and liabilities, maintaining the interest rate difference, foreign exchange position and liquidity pursuant to those conditions. During the year, the Committee held 53 meetings and took fifty three resolutions.

Executive Committee for Information Technologies

The Executive Committee for Information Technologies consists of the Member of the Board of Managers who is responsible for internal systems, Vice General Manager of the main Branch, Manager of System and Network Management, Application Development and Software Manager and Internal Control and Risk Management Executives under the chairmanship of the General Manager. The Committee holds meetings quarterly.

The Committee was established to fulfill the following missions:

- To ensure that Information Technologies are consistent with the Bank's scale and operations and the quality of offered products and the strategic objectives of the Bank,
- Approval of the policies regarding the management, sustainability, maintaining the information security and confidentiality in Information Technologies,
- To assess the risks that may be imposed due to the use of Information Technologies and approve the action plans designed for minimizing the risk levels resulting from Information Technologies,
- Approval of the resource needs prioritized in line with the strategies for Information Technologies,
- To evaluate the findings regarding general controls in information technologies and application controls identified in consequence of internal audits and independent audits and approve the actions to be taken,
- Evaluation of risk analysis results regarding outsourced support services for Information Technologies and submitted report regarding qualification of outsourcing companies,
- Assessment of detected breaches of information security and making decisions regarding actions to be taken and establishing an "emergency response team" when required,

- Assessment of the results of the tests performed for the purpose of ensuring business continuity and data security,
- Evaluation of the current developments in information technologies and data security and their applicability at the Bank,
- Assessment of the complaints that may occur regarding Information Technologies and the services provided based on the same and approval of the actions to be taken,
- Evaluation and approval of investments and projects regarding Information Technologies.

Risk Committee

The fields of activity of the Committee are as follows;

- To designate the risk management strategies and policies to be followed and submit for the approval of the Board of Managers,
- To discuss and make decisions about the issues brought up by the Risk Management,
- To specify the limits for imposed primary risks, to monitor the breach of limits and to make suggestions about elimination of such breaches for the Board of Managers,
- Making suggestions about alterations in Risk policies for the Board of Managers,
- To ensure fulfillment of monitoring and communication about determination, identification, measurement and management processes of the risks to be performed by the Risk Management Department,
- Monitoring the process to ensure the accuracy and stability of risk measurement method and the results.

The committee consists of the Member of the Board of Managers who is responsible for internal systems, Vice General Manager and Risk Management Department Executive under the chairmanship of the General Manager. 12 meetings and resolutions were held and taken by the Committee within the year.

Audit Committee

Pursuant to the relevant legislation, Yusuf Çağala has been appointed as the Member of the Board of Managers who is responsible for the internal systems to fulfill the tasks of aforesaid committee on 02.08.2013 and still holds the office.

Member of the Board of Managers who is responsible for the internal systems and fulfils the tasks of the Audit Committee has the power and responsibility regarding the matters specified in paragraph 2 of Article 7 of the Regulations on Internal Systems published in Official Gazette dated 28th June 2012 and numbered 28337.

Purchasing Committee

The committee is responsible for purchasing and selling movable property and software in line with the needs of the Bank. It concluded 28 buying and 1 selling transactions during the year.

5. Human Resources Practices:

Probation period for any contracted personnel to be employed at the Branch is two months whereas this period is four months for the personnel to be employed as a union member. Those employees who

are thought to be useful for the Branch during the probation period will become a member of the permanent staff upon the relevant line manager's suggestion. Branch managers will submit their requests regarding whether the employment contract of the staff subject to probation period is to be maintained in such timeframe that their request will be received by the personnel department at least 10 days before the end of such period. Employment contract of those who are considered as inadequate for the job in the Branch will be terminated upon the relevant line manager's suggestion by the General Manager without dismissal notice or compensation.

Advancement means promoting an employee of the Branch to a higher position than his/her current position. In case of advancement remuneration of the staff also changes starting from the clerical level. Fulfilment of the following conditions is required for advancement of an employee;

- Completing a specified term of office at the current position,
- Having a positive qualification,
- Having the skills and competency required by the upper position,
- Availability of a vacant upper position,
- Passing any examination to be held when necessary

For advancement of employees of the Branch to an upper position completing following term of office at their current position is required

- At least 3 years for university graduates,
- At least 4 years for high school graduates,

However term of office may be extended up to one year at most pursuant to the powers.

A dividend payment to the amount of one monthly salary is made once a year by taking the performance score and other criteria (warnings and penalties) into consideration. A dividend Payment to the amount of TL 561 thousands has been made in March 2013.

6. Information about the transactions with the risk group in which the branch is included

6.1. Information about the credits extended to the risk group in which the branch is included

Credit Risk of the Risk Group in which the Branch is included	2013		2012	
	Cash	Non-cash	Cash	Non-cash
Credits and Other Receivables				
Opening Balance	155.542	1.250	2.638.501	16.092
Period-end Balance	25.408	14	155.542	1.250
Received Interest and Commission Revenues	1.275	16	9.906	195

Notes:

1. Risk group is defined in paragraph 2 of Article 49 of the Banking Law numbered 5411.
2. The information in the table also covers the receivables from the banks as well as the loans extended.

6.2. Information about deposit account owned by the risk group in which the branch is included

Deposit account owned by the risk group in which the Branch is included	2013	2012
Beginning of the Period	150.950	2.953.541
End of the Period	53.854	150.950
Interest Expense on Deposit	331	33.412

Notes:

1. Risk group is defined in paragraph 2 of Article 49 of the Banking Law numbered 5411.
2. TL 42.387.000 and TL 11.178.000 of the deposit to the amount of TL 53.854.000 indicated in deposit – Risk Group line of the balance sheet as of the date of 31 December 2013 belong to the Bank Mellat Headquarters – Iran and Iran Central Bank respectively.
(TL 130.429.000 and TL 20.521.000 of the deposit to the amount of TL 150.950.000 indicated in Deposit – Risk Group line of the balance sheet as of the date of 31 December 2012 belong to the Bank Mellat Headquarters – Iran and Iran Central Bank respectively.)

6.3. Information about the loans borrowed from the risk group in which the branch is included

Loans borrowed from the Risk Group in which the Branch is included	2013	2012
Beginning of the Period	-	225.112
End of the Period	-	-
Interest Expense on Deposit	-	3.669

Notes:

1. Risk group is defined in paragraph 2 of Article 49 of the Banking Law numbered 5411.
2. As of the date of 31 December 2011, TL 225.112.000 includes the loans taken out from Iran Central Bank.

6.4. Information about futures contracts, options contracts and suchlike other contracts made between the Branch and the risk group in which the branch is included

There are not any futures, options and suchlike other contracts made between the Branch and the risk group as of the dates of 31 December 2013 and 31 December 2012.

6.5. Benefits provided for Senior Management:

As of the date of 31 December 2013 payments to the amount of TL 1.732.000 (31 December 2012: TL1.682.000) have been made to the senior management of the Branch.

7. Outsourced Services and Information About Outsourcing Persons And Organizations

Outsourced services which are within the scope of the Regulation on outsourced support services by the Banks and authorization of such outsourcing companies are as follows:

GÜZEL SANATLAR MATBAASI: Printing of the checkbooks of our bank.

BANTAŞ NAKİT VE KIYMETLİ MAL TAŞIMA VE GÜVENLİK HİZMETLERİ A.Ş. : Transportation of cash, checks and valuable paper.

c) Assessment of Financial Information And Risk Management

1. Assessment of Functioning of Internal Control, Internal Audit and Risk Management Systems made by the Audit Committee and Its Activities within the Accounting Period

1.1. Operations of Internal Control Department

Internal Control Department is organized for the purpose of keeping the risks associated with the financial and operational activities of the Branch under control and at a reasonable level and prevention of occurrence of such risks. Internal control activities are reviewed regularly at every level of the Branch and the practices, policies and processes determining these activities are renewed in line with the requirements and integrity of the activities with internal control system is ensured.

Work flows regarding the operations of the branch include the necessary control steps and points properly and completely. Performing the operations efficiently, properly, accurately and safely, and discrimination of functional tasks, authorizations and limits regarding transactions, control of information systems, post-transaction controls, transaction specific other controls are ensured by the employees at every level. The said operational and internal control organization also plays an important role in performing the processes and controls regarding the accounting and financial reporting systems more safely and effectively.

The main framework of the internal control operations structured within the internal control system consists of the operational controls, controls regarding data and communication and the financial reporting systems and compliance controls.

Internal control department acting under control of the member of the Board of Managers, responsible for Internal Controls, aims at making maximum contribution to the reliability, efficiency, and robustness and consistency with the legislation and standards of the internal control systems that constitute the control structure of the Branch. The activities of the internal control department which is responsible for reviewing, monitoring, and evaluating the efficiency of the controls regarding the operations of the Branch and reporting the results to the relevant persons are structured in such manner to cover the headquarters departments and branches.

Any finding, opinion and suggestion regarding the internal control activities will be disclosed to those employees performing the operations and the relevant process owners in the first place, and thus, required contribution is provided for implementation of any measure or solution which would improve the processes or activities pertaining to the internal control system. All those efforts are continuously monitored by the employees of internal control department as well as those who perform the activities on regular basis and assessments relating to the activities are reported to the senior management.

The results of the internal control operations are also monitored and evaluated by the Board of Managers and the board's member who fulfills the tasks of the audit committee on regular basis.

The headquarters departments and branches will be subject to a physical site visit quarterly, at least four times a year, as executed by the internal control department. Internal control operations are performed based on the principle of testing the control steps and points on work flows in terms of the banking processes.

1.2. Operations of Internal Audit Department

Internal control department of Bank Mellat operates under governance of the member of the Board of Managers, responsible for Internal Controls. Internal audit department is responsible for auditing all the activities carried out by all the headquarters departments and branches in accordance with the law and other relevant legislation and in-house strategies, policies, principles and objectives including internal control, risk management, legislation and FCIB (Financial Crimes Investigation

Board) compliance. This department which performs audit of banking processes and information systems is also engaged in preliminary investigation, inquiry and investigation activities if necessary.

The reports prepared as a consequence of the performances of the department which employs one inspector and an assistant inspector are submitted to the Board of Managers and relevant departments through the audit committee in accordance and the measures taken for detected issues are monitored by the internal audit department. Thanks to periodical activity reports submitted by the member of the Board of Managers who acts as the audit committee performance of the department can be closely monitor.

In 2013, banking processes carried out by a total of three branches and the headquarters departments were realized in compliance with annual risk based plan determined by audit of information systems pursuant to COBIT.

1.3. Risk Management Activities

Risk management process and the functions included in this process are among the primary responsibilities of the Board of Managers. The Risk Committee and the Assets & Liabilities Committee and the risk management department which is the operational part of the risk management function operating under governance of the Board of Managers has started activities of compliance with Basel III Regulations in parallel with current international practices.

The Board of Managers closely monitors those committees and the efforts of the risk management department and continuously evaluates whether the results are consistent with specified objectives.

Stress test and scenario analysis performed within the period considering current conditions have been submitted for the Board of Managers' evaluation.

1.4. Compliance Activities

Compliance is the main and primary responsibility of the executives and employees at any level in the Branch. Such operations which can be classified into legal compliance, compliance to banking operations and compliance to the prevention of Crime Revenue Laundering are included in the responsibilities of the internal audit department, internal control department and compliance officer respectively. Risk Management Executive Murat Etiler has been appointed as the compliance officer in the period.

In this context various banking operations have been rated within the period considering customer risk, transaction risk and amount risk.

Results of the compliance operations are monitored and evaluated regularly by the senior management of the Branch.

1.5. Overall Assessment

When the risk groups are assessed overall, as in previous years the most important risk that the branch is exposed to in 2013 was the credit risk. However the credit risk dropped off at the end of 2013 compared to the previous year-end in parallel with the downsizing balance sheet due to imposed sanctions. The greater part of the credit risk at the end of the period mainly resulted from intra-group transactions and limited number of banks and corporate customers.

Interest rate risk and currency risk constituting the market risk of the Branch was maintained at negligible level within the year. The most important risk group following the credit risk was non-financial operational risks.

2. Independent Audit Report

**BANK MELLAT, HEAD OFFICE:
TAHRAN-IRAN
İSTANBUL TURKEY MAIN, ANKARA
AND İZMİR BRANCHES**

**INDEPENDENT AUDITOR'S
REPORT,
UNCONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2013**

*Translated into English from the
Original Turkish Report*

**CONVENIENCE TRANSLATION OF
THE INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR 1 JANUARY 2013-31 DECEMBER 2013
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Managers of Bank Mellat, Head Office: Tahrán-İran İstanbul Turkey Main, Ankara and İzmir Branches:

We have audited the accompanying unconsolidated balance sheet of Bank Mellat, Head Office: Tahrán-İran İstanbul-Turkey Main, Ankara and İzmir Branches (“the Branch”) as at 31 December 2013 and the related statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

The Branch’s Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on “Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency (“BRSA”). 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 “Licensing and Operations of Audit Firms in Banking” published in the Official Gazette no: 26333 on 1 November 2006 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 Auditor’s Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank Mellat, Head Office: Tahrán-İran İstanbul-Turkey Main, Ankara and İzmir Branches as at 31 December 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 the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu
Partner

İstanbul, 31 March 2014

**THE UNCONSOLIDATED FINANCIAL REPORT OF
BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
ANKARA AND İZMİR BRANCHES AS OF 31 DECEMBER 2013**

Headquarter's Address : Taleghani Avenue. No: 327 Tahrān – İran

Turkey Main Branch Address : Büyükdere Cd. Binbirçiçek Sk. No.1 34330 1.Levent-İstanbul/Türkiye

Telephone : (0212) 279 80 15

Fax : (0212) 284 62 14

Website : www.mellatbank.com

E-mail address : mellat@mellatbank.com

The year end unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BRANCH
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BRANCH
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BRANCH
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

Ali Divandari	Younes Hormozi Sheikh Tabagh	Yusuf Çağala
Chairman of the Board of Managers	Member of the Board of Managers and General Manager	Member of the Board of Managers and Internal Systems Executive

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title : Yener Bozkurt / Accounting Department Chief

Phone No : (0212) 279 80 15

Fax No : (0212) 284 62 14

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SECTION ONE

GENERAL INFORMATION

I. HISTORY OF THE BRANCH, INCLUDING ITS ESTABLISHMENT DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS, IF ANY:

Bank Mellat, Head Office: Tahran-İran İstanbul Türkiye Main, Ankara and İzmir Branches ("the Branch"), which is based in Tahran, Iran, established its branches in Istanbul, Ankara and Izmir on 18 August 1981, 23 February 1984 and 16 January 1992, respectively. The branches are registered under the scope of Foreign Capital Encouragement Law No. 6224, which permits the transfer of distributable profits to the Headquarter. The branches started operations after getting the approval from the Treasury Undersecretariat in April 1982, May 1985 and October 1992, respectively.

II. EXPLANATION ABOUT THE BRANCH'S SHAREHOLDING STRUCTURE, SHAREHOLDERS WHO INDIVIDUALLY OR JOINTLY HAVE POWER TO CONTROL THE MANAGEMENT AND AUDIT DIRECTLY OR INDIRECTLY, CHANGES REGARDING THESE SUBJECTS DURING THE YEAR, IF ANY, AND INFORMATION ABOUT THE CONTROLLING GROUP OF THE BRANCH:

The shareholding structure of the main shareholder of the Branch – Bank Mellat Tahran, Iran, is as follows:

Shareholders	Share Percentage (%)
Justice share recipients (provincial investors) (*)	30,00
Islamic Republic of Iran	20,00
Social Security Organisation of Iran	9,99
Saba Tamin Investment Co.	6,57
Bank Mellat's staff future security fund	5,00
Personnel shares	3,96
Other Shares Quoted on Stock Exchange	24,48
Total	100,00

(*) These shares have been distributed to the provinces of Iran and investment firms have been established within the provinces to be able to manage the shares. This was proclaimed to BRSA with the correspondance dated on 16 August 2011.

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
ANKARA AND İZMİR BRANCHES
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

GENERAL INFORMATION (Continued)

III. EXPLANATION ABOUT THE BRANCH'S CHAIRMAN AND MEMBERS OF THE BOARD OF MANAGERS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, ANY CHANGES, AND THE INFORMATION ABOUT THE BRANCH SHARES THEY HOLD:

Title	Name	Responsibility	Title
Chairman of the Board of Managers:	Ali Divandari	Chairman	PHD (Doctor of Philosophy)
Members of Board of Managers:	Younes Hormozi Sheikh Tabagh	General Manager	Under Graduate
	Yusuf Çağala	Internal Audit, Internal Control and Risk Management	Under Graduate
Vice General Managers:			
	Ahmad Jamehdor	Vice General Manager Financial Controlling and Planning Human Resources Treasury	Under Graduate

The individuals above do not possess shares in the Branch.

IV. INFORMATION ON SHAREHOLDERS HAVING QUALIFIED SHARES:

	31 December 2013			
Name/Commercial title	Share amounts	Share percentage	Paid-in capital	Unpaid portion
Justice share recipients (provincial investors)	47.074	30,00%	47.074	-
Islamic Republic of Iran	31.383	20,00%	31.383	-

	31 December 2012			
Name/Commercial title	Share amounts	Share percentage	Paid-in capital	Unpaid portion
Justice share recipients (provincial investors)	47.074	30,00%	47.074	-
Islamic Republic of Iran	31.383	20,00%	31.383	-

V. BRIEF INFORMATION ON THE BRANCH'S SERVICES AND AREAS OF OPERATION:

The Branch operates in banking services and its core business activity is financing the commercial activities between The Republic of Turkey and Islamic Republic of Iran.

As of 31 December 2013, the Branch has 50 employees (31 December 2012: 57 employees).

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
ANKARA AND İZMİR BRANCHES**
UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
 Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS	Note	CURRENT PERIOD 31 December 2013			PRIOR PERIOD 31 December 2012		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-a)	3.060	64.304	67.364	5.833	48.392	54.225
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(I-b)	-	-	-	-	-	-
2.1	Trading Financial Assets		-	-	-	-	-	-
2.1.1	Public Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		-	-	-	-	-	-
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(I-c)	43.027	33.083	76.110	65.173	106.909	172.082
IV.	MONEY MARKETS		8.501	-	8.501	67.709	-	67.709
4.1	Interbank Money Market Placements		8.501	-	8.501	67.709	-	67.709
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	108.016	42.079	150.095	45.035	28.696	73.731
5.1	Share Certificates		857	-	857	-	-	-
5.2	Public Debt Securities		107.159	-	107.159	44.036	-	44.036
5.3	Other Marketable Securities		-	42.079	42.079	999	28.696	29.695
VI.	LOANS AND RECEIVABLES	(I-e)	17.795	5.326	23.121	19.610	10.012	29.622
6.1	Loans and Receivables		12.039	5.326	17.365	13.961	10.012	23.973
6.1.1	Bank's Risk Group		18	-	18	2.383	941	3.324
6.1.2	Public Debt Securities		-	-	-	-	-	-
6.1.3	Other		12.021	5.326	17.347	11.578	9.071	20.649
6.2	Non-Performing Loans		7.797	-	7.797	7.644	-	7.644
6.3	Specific Provisions (-)		(2.041)	-	(2.041)	(1.995)	-	(1.995)
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(I-g)	-	-	-	-	-	-
8.1	Public Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-h)	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-Financial Investments in Associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	(I-i)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	FINANCIAL LEASE RECEIVABLES (Net)	(I-k)	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	(I-l)	-	-	-	-	-	-
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(I-m)	8.462	-	8.462	8.595	-	8.595
XV.	INTANGIBLE ASSETS (Net)	(I-n)	371	-	371	555	-	555
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		371	-	371	555	-	555
XVI.	INVESTMENT PROPERTY (Net)	(I-o)	-	-	-	-	-	-
XVII.	TAX ASSET	(I-p)	550	-	550	494	-	494
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		550	-	550	494	-	494
XVIII.	ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-r)	-	-	-	-	-	-
18.1	Held for Sale Purposes		-	-	-	-	-	-
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(I-s)	489	320	809	980	46	1.026
	TOTAL ASSETS		190.271	145.112	335.383	213.984	194.055	408.039

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

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
ANKARA AND İZMİR BRANCHES**
UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
 Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	LIABILITIES	Note	CURRENT PERIOD 31 December 2013			PRIOR PERIOD 31 December 2012		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(II-a)	15.682	121.939	137.621	39.200	170.521	209.721
1.1	Deposits of Bank's Risk Group		10.311	43.543	53.854	18.053	132.897	150.950
1.2	Other		5.371	78.396	83.767	21.147	37.624	58.771
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	-	-	-	-	-	-
III.	FUNDS BORROWED	(II-c)	-	-	-	-	-	-
IV.	MONEY MARKETS		-	-	-	-	-	-
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		-	-	-	-	-	-
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		181	1.185	1.366	958	6.418	7.376
VIII.	OTHER LIABILITIES	(II-d)	1.405	907	2.312	1.152	679	1.831
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	FINANCIAL LEASE PAYABLES (Net)	(II-e)	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-f)	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	(II-g)	2.009	1.900	3.909	1.718	1.807	3.525
12.1	General Loan Loss Provision		474	1.843	2.317	403	1.760	2.163
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		1.169	-	1.169	867	-	867
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		366	57	423	448	47	495
XIII.	TAX LIABILITY	(II-h)	715	-	715	1.507	-	1.507
13.1	Current Tax Liability		715	-	715	1.507	-	1.507
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-i)	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(II-j)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(II-k)	189.460	-	189.460	184.079	-	184.079
16.1	Paid-in capital		156.914	-	156.914	156.914	-	156.914
16.2	Capital Reserves		(1.230)	-	(1.230)	348	-	348
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences	(II-l)	(1.230)	-	(1.230)	348	-	348
16.2.4	Tangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	-	-
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		-	-	-	-	-	-
16.3	Profit Reserves		1.251	-	1.251	1.225	-	1.225
16.3.1	Legal Reserves		-	-	-	-	-	-
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		1.251	-	1.251	1.225	-	1.225
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit or (Loss)		32.525	-	32.525	25.592	-	25.592
16.4.1	Prior Years' Income or (Loss)		25.566	-	25.566	-	-	-
16.4.2	Current Year Income or (Loss)		6.959	-	6.959	25.592	-	25.592
	TOTAL LIABILITIES		209.452	125.931	335.383	228.614	179.425	408.039

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**BANK MELLAT, HEAD OFFICE: TEHRAN-İRAN İSTANBUL TURKEY MAIN,
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Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	OFF-BALANCE SHEET COMMITMENTS	Note	CURRENT PERIOD 31 December 2013			PRIOR PERIOD 31 December 2012		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		1.716	2.857	4.573	1.778	14.766	16.544
I	GUARANTEES AND WARRANTIES	(II-a-2, 3)	1.599	2.857	4.456	1.662	14.766	16.428
1.1	Letters of Guarantee		1.586	1.750	3.336	1.649	13.873	15.522
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		1.586	1.750	3.336	1.649	13.873	15.522
1.2	Bank Acceptances		-	-	-	-	-	-
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	227	227	-	189	189
1.3.1	Documentary Letters of Credit		-	227	227	-	189	189
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	880	880	-	704	704
1.9	Other Collaterals		13	-	13	13	-	13
II	COMMITMENTS	(II-a-1)	117	-	117	116	-	116
2.1	Irrevocable Commitments		117	-	117	116	-	116
2.1.1	Forward Asset Purchase Commitments		-	-	-	-	-	-
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		117	-	117	116	-	116
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III	DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	-	-	-	-	-	-
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest Rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		36.016	35.322	71.338	22.186	40.272	62.458
IV	ITEMS HELD IN CUSTODY		88	28	116	22	-	22
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		-	-	-	-	-	-
4.3	Checks Received for Collection		88	28	116	-	22	22
4.4	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
V	PLEDGES RECEIVED		21.196	35.294	56.490	19.146	40.250	59.396
5.1	Marketable Securities		-	-	-	-	-	-
5.2	Guarantee Notes		19.016	34.274	53.290	13.130	38.280	51.410
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		-	-	-	-	-	-
5.6	Other Pledged Items		-	-	-	-	-	-
5.7	Pledged Items-Depository		2.180	1.020	3.200	6.016	1.970	7.986
VI	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		14.732	-	14.732	3.040	-	3.040
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		37.732	38.179	75.911	23.964	55.038	79.002

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III. STATEMENT OF INCOME

	INCOME AND EXPENSE ITEMS	Note	CURRENT PERIOD (01/01/2013-31/12/2013)	PRIOR PERIOD (01/01/2012-31/12/2012)
I.	INTEREST INCOME	(IV-a)	14.270	76.222
1.1	Interest on Loans	(IV-a-1)	2.205	19.759
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	(IV-a-2)	1.118	40.871
1.4	Interest Received from Money Market Transactions		1.645	7.302
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	8.547	7.925
1.5.1	Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		8.547	7.925
1.5.4	Held-to-Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		755	365
II.	INTEREST EXPENSE	(IV-b)	(688)	(42.907)
2.1	Interest on Deposits	(IV-b-4)	(688)	(39.238)
2.2	Interest on Funds Borrowed	(IV-b-1)	-	(3.669)
2.3	Interest Expense on Money Market Transactions		-	-
2.4	Interest on Securities Issued	(IV-b-3)	-	-
2.5	Other Interest Expenses		-	-
III.	NET INTEREST INCOME (I + II)		13.582	33.315
IV.	NET FEES AND COMMISSIONS INCOME		1.744	9.205
4.1	Fees and Commissions Received		1.887	9.435
4.1.1	Non-cash Loans		1.606	7.238
4.1.2	Other		281	2.197
4.2	Fees and Commissions Paid		(143)	(230)
4.2.1	Non-cash Loans		-	-
4.2.2	Other		(143)	(230)
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	3.177	758
6.1	Trading Gains / (Losses) on Securities		-	-
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		-	-
6.3	Foreign Exchange Gains / (Losses)		3.177	758
VII.	OTHER OPERATING INCOME	(IV-e)	598	3.231
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		19.101	46.509
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	(274)	(50)
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	(10.302)	(14.955)
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		8.525	31.504
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-h)	8.525	31.504
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(1.566)	(5.912)
16.1	Current Tax Provision		(1.409)	(6.025)
16.2	Deferred Tax Provision		(157)	113
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		6.959	25.592
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		-	-
18.3	Income on 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.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-j)	6.959	25.592
	Earnings/(Loss) per share		-	-

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UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		CURRENT PERIOD 31 December 2013	PRIOR PERIOD 31 December 2012
I.	ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS		
		(2,227)	9,994
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	-	-
VI.	THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	213	(319)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(2,014)	9,675
XI.	CURRENT YEAR PROFIT/LOSS	436	(8,397)
1.1	Net change in fair value of marketable securities (transfer to profit-loss)	436	(8,397)
1.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
1.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
1.4	Other	-	-
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X-XI)	(1,578)	1,278

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V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	PRIOR PERIOD 01/01/2012 – 31/12/2012	Note	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserve s	Current Period Net Income/(Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Fund	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transacti ons Funds	Held for Resale/ Discontinued Operations Revaluation Fund	Total Shareholders' Equity
I.	Prior Period End Balance		53.655	-	-	-	-	-	1.301	-	58.529	44.654	(930)	-	-	-	-	157.209
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	(V-d)	-	-	-	-	-	-	-	-	-	-	1.278	-	-	-	-	1.278
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		103.259	-	-	-	-	-	(76)	-	-	(103.18 3)	-	-	-	-	-	-
12.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		103.259	-	-	-	-	-	(76)	-	-	(103.18 3)	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	25.592	-	-	-	-	-	-	25.592
XVIII.	Profit Distribution	(V-a)	-	-	-	-	-	-	-	-	(58.529)	58.529	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(58.529)	58.529	-	-	-	-	-	-
	Period End Balance (I+....+XVIII)		156.914	-	-	-	-	-	1.225	-	25.592	-	348	-	-	-	-	184.079

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V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

	CURRENT PERIOD 01/01/2013 – 31/12/2013	Note	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/ (Loss)	Marketa ble Securitie s Value Increase Fund	Tangible and Intangible Assets Revaluation Fund	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transacti ons Funds	Held for Resale/ Operations Revaluation Fund	Total Shareholders' Equity
I.	Prior Period End Balance		156.914	-	-	-	-	-	1.225	-	25.592	-	348	-	-	-	-	184.079
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	(V-d)	-	-	-	-	-	-	-	-	-	-	(1.578)	-	-	-	-	(1.578)
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	6.959	-	-	-	-	-	-	6.959
XVIII.	Profit Distribution	(V-a)	-	-	-	-	-	-	26	-	(25.592)	25.566	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	26	-	(25.592)	25.566	-	-	-	-	-	-
	Period End Balance (I+...+XVIII)		156.914	-	-	-	-	-	1.251	-	6.959	25.566	(1.230)	-	-	-	-	189.460

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

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
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VI. STATEMENT OF CASH FLOWS

	STATEMENT OF CASH FLOWS	Note	CURRENT PERIOD (01/01/2013 – 31/12/2013)	PRIOR PERIOD (01/01/2012 – 31/12/2012)
A.	CASH FLOWS FROM BANKING OPERATIONS			
I.1	Operating Profit before changes in operating assets and liabilities		1.082	38.901
I.1.1	Interest received		17.199	145.875
I.1.2	Interest paid		(1.953)	(106.368)
I.1.3	Dividend received		-	-
I.1.4	Fees and commissions received		1.861	9.285
I.1.5	Other income		541	3.282
I.1.6	Collections from previously written-off loans and other receivables		-	-
I.1.7	Payments to personnel and service suppliers		(6.239)	(6.494)
I.1.8	Taxes paid		(1.931)	(13.612)
I.1.9	Other		(8.396)	6.933
I.2	Changes in operating assets and liabilities		(72.648)	(2.549.131)
I.2.1	Net (increase) / decrease in trading financial assets		-	-
I.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		-	-
I.2.3	Net (increase) / decrease in banks		(9)	(10)
I.2.4	Net (increase) / decrease in loans		3.789	536.797
I.2.5	Net (increase) / decrease in other assets		290	208
I.2.6	Net increase in bank deposits		95.198	(3.122.477)
I.2.7	Net increase / (decrease) in other deposits		(166.034)	299.382
I.2.8	Net (decrease) in funds borrowed		-	(220.603)
I.2.9	Net increase / (decrease) in payables		-	-
I.2.10	Net increase in other liabilities		(5.882)	(42.428)
I.	Net cash provided from banking operations		(71.566)	(2.510.230)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		(78.473)	42.199
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.3	Fixed assets purchases		(59)	-
2.4	Fixed assets sales		35	4.742
2.5	Cash paid for purchase of investments available-for-sale		(157.636)	(12.291)
2.6	Cash obtained from sale of investments available-for-sale		79.187	49.748
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		-	-
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
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		10.336	(7.133)
V.	Net increase in cash and cash equivalents (I + II + III + IV)		(139.703)	(2.475.164)
VI.	Cash and cash equivalents at beginning of the period	(VI-a)	291.660	2.766.832
VII.	Cash and cash equivalents at end of the period (V + VI)	(VI-a)	151.957	291.668

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

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
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VII. PROFIT DISTRIBUTION TABLE

		CURRENT PERIOD (01/01/2013 – 31/12/2013)	PRIOR PERIOD (01/01/2012 – 31/12/2012)
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	Current Year Income	8.525	31.504
1.2	Taxes And Duties Payable (-)	(1.566)	(5.912)
1.2.1	Corporate Tax (Income tax)	(1.409)	(6.025)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	(157)	113
A.	NET INCOME FOR THE YEAR (1.1-1.2)	6.959	25.592
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	-
1.5	Other Statutory Reserves (-) (*)	-	(113)
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)+(1.3+1.4+1.5)]	6.959	25.479
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 Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends 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 Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	-
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	Distributed Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Preferred Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
III.	EARNINGS PER SHARE		
3.1	To Owners Of Ordinary Shares	-	0,1631
3.2	To Owners Of Ordinary Shares (%)	-	-
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	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Preferred Shares	-	-
4.4	To Owners Of Preferred Shares (%)	-	-

Note: As of date of these financial statements, profit distribution for 2013 has not been defined yet.

(*) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

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

VIII. CONSOLIDATED FINANCIAL STATEMENTS OF THE BRANCH'S HEADQUARTER

As at 20 March 2013, the financial statements issued by the Headquarters of the Branch is presented below. The Headquarters of the Branch has not issued financial statements as at 31 December 2013 and 31 December 2012.

BANK MELLAT (IRAN) CONSOLIDATED COMPARATIVE BALANCE SHEET (THOUSANDS OF USD)		
	CURRENT PERIOD (20 March 2013)	PRIOR PERIOD (19 March 2012)(*)
Cash and cash equivalents	572.828	489.100
Central bank	3.827.914	2.509.580
Other assets	43.394.732	28.423.266
Total Assets	47.795.474	31.421.946
Deposits	33.346.090	22.555.383
Other liabilities	12.159.158	6.962.891
Shareholders' equity	2.290.226	1.903.672
Total Liabilities	47.795.474	31.421.946

BANK MELLAT (IRAN) CONSOLIDATED COMPARATIVE INCOME STATEMENT (THOUSANDS OF USD)		
	CURRENT PERIOD (20 March 2013)	PRIOR PERIOD (19 March 2012)(*)
Interest and investment income	3.319.542	3.006.425
Interest expense on deposits	(1.876.955)	(1.280.066)
Other expenses	(781.622)	(1.000.724)
Other income	1.564.046	1.013.831
Total net income	2.225.011	1.739.466
Personnel and operating expenses	(1.479.863)	(1.378.573)
Profit before tax	745.148	360.893
Taxes payables	(89.474)	(35.251)
Net Profit	655.674	325.642

(*) As restated.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON THE BASIS OF PRESENTATION:

The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Accounting Applications for Banks and Safeguarding of Documents:

The Branch, establishes its books of accounts, its unconsolidated balance sheets and the related statements and notes thereto in accordance with the provisions of Article 37 with respect to “Accounting and Reporting” of the Banking Law No. 5411 published in the Official Gazette No. 25983 dated 1 November 2005 and as per “The Regulation on the Procedures and Principles pertaining to Banks’ Accounting Practices and Maintaining Documents” to be effective from 1 November 2006, and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and in addition, other regulations, circulars, communiqués and pronouncements in respect thereof.

As per the Statutory Decree No. 660 as published in the Official Gazette dated 2 November 2011, the Public Oversight, Accounting and Auditing Standards Authority (“Authority”) was established. In preparation of the financial statements, Turkey Accounting Standards/Turkey Financial Reporting Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (“KGGK”), and the related statements and communiqués (“TAS/TFRS”) thereto was considered.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention and in accordance with inflation accounting except for the financial assets and liabilities carried at fair value.

The accounting policies and valuation methods adopted in the presentation of these financial statements are in accordance with TAS. These accounting policies and valuation methods are explained in Notes II. to XXVIII.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The Branch's operation scope involves all commercial banking operations and business lines described in the banking legislation.

The Branch invests the funds obtained through fixed rate deposits, loans from Head Office and cash guarantees to short-term, high interest bearing and relatively low risk bank placements and credit for banks. The Branch manages the liquidity risk by providing sufficient cash and cash equivalent sources for its current and contingent liabilities. In this context, the Branch aims at ensuring a liquidity structure which matches liabilities due.

The Branch protects itself from interest rate risk, currency risk and price fluctuations by its investments in short-term placements and provides cash collaterals.

The Branch takes a position according to the currency basket of the Central Bank of the Republic of Turkey ("CBRT") in order to hedge itself against possible foreign exchange risks. The Branch with the change in the currency system to floating currency, limits the total foreign currency position in accordance with the legal limits because of the increasing uncertainties in the changing currency path.

As of 31 December 2013, rates used for conversion of foreign currency balances into Turkish Lira are TL 2,1343 for USD, TL 2,9344 for Euro and TL 0,02024 for Yen.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

As of 31 December 2013 and 31 December 2012, the Branch has no investments in associates and subsidiaries.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

Derivative instruments are measured at fair value on initial recognition and are subsequently re-measured at their fair values. The accounting method for the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged. As of 31 December 2013, the Branch has no derivative instruments that qualify for hedge accounting.

The Branch has no forward transactions, options or other derivative instruments.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognised in the income statement on an accrual basis using the effective interest method.

The Branch, ceases accruing interest income on non-performing loans according to the related regulation.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

All fees and commission income/expenses are recognised on an accrual basis, except for certain commission income and fees for various banking services which are accounted for as income at the time of collection. Borrowing fees and commission expenses paid to other financial institutions are recognised as operational costs and recorded using the "effective interest method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Branch classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets is determined at inception according to Branch management's purpose of purchase.

a. Financial assets at fair value through profit or loss:

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

Trading financial assets are financial assets which were either acquired for generating a 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.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from the fair market transactions, it is accepted that the fair value cannot be measured reliably and financial assets are measured using the official prices announced by the CBRT. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are classified as trading financial assets unless they are not designated as hedge instruments.

The Branch has no financial assets designated as financial assets at fair value through profit or loss.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Loans and receivables:

Financial assets that are originated by the Branch by providing money, services or goods to borrowers are categorised as loans and receivables. Loans and receivables originated by the Branch are carried initially at cost and subsequently recognised at the amortised cost value calculated using the "effective yield method".

If the collectibility of any receivable is identified as limited or doubtful by the management through assessments and estimates; the Branch, as per the provisions "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" as published in the Official Gazette dated 1 November 2006 with No. 2633, categorizes them under group III, IV and V loans and provides specific provisions. The Bank may allocate specific provisions above the minimum rates as provided for the tier of the relevant loans which are financially weak and/or insolvent loans.

Provision expenses are deducted from the net income for the period. Uncollectible receivables are written-off after all the legal procedures are finalised. If there is a subsequent collection from a receivable that was already provisioned in the previous years, the recovery amount is presented in other income.

c. Held-to-maturity financial assets:

Held-to-maturity financial assets are 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 the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost, and subsequently carried at amortised cost using the "effective yield method"; interest earned whilst holding held-to-maturity securities is reported as interest income. Interest income from held-to-maturity financial assets is reflected in the income statement.

There are no financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

The Branch has no financial assets that are classified as held-to-maturity as of 31 December 2013 and 31 December 2012.

d. Available-for-sale financial assets:

Financial assets available-for-sale consists of financial assets other than "Loan and receivables", "Held-to-maturity" and "Financial assets at fair value through profit or loss". Debt securities classified as available-for-sale financial assets are subsequently remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in shareholders' equity as "Marketable securities value increase fund", unless there is a permanent decline in the fair values of such assets or they are disposed of. When these securities are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective interest method", or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles regarding the accounting of provisions of loans and receivables are explained in detail in Note VII.b. of this section.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Branch has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

The Branch does not have any sales and repurchase agreements and securities lending transactions as of 31 December 2013 and 31 December 2012.

Securities subject to repurchase agreements ("repo") are classified as "Fair value difference through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Branch and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the "effective interest method".

Funds given against securities purchased under agreements ("reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" in the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method".

XI. EXPLANATIONS ON ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS:

The Branch has no assets held for sale and discontinued operations and any related liabilities as at the balance sheet date (31 December 2012: None).

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No.26333.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Branch has no goodwill as at 31 December 2013 and 31 December 2012.

Intangible assets consist of softwares. The intangible assets are amortized in their useful lives, in 3 years, on a straight-line basis. At the balance sheet date TL 371 thousand of amortization expense (31 December 2012: TL 555 thousand).

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON TANGIBLE FIXED ASSETS:

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated over of the cost of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	50 years
Furniture, fixture and vehicles	5 years

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount and the impairment for the diminution in value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised over the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no pledges, mortgages or purchase commitments on property and equipment as of 31 December 2013 and 31 December 2012.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

The Branch has no leasing transactions as of 31 December 2013 and 31 December 2012.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the matching principle. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Branch, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Defined Benefit Plans:

Under the Turkish Labour Law, the Branch is obliged to pay a certain employment termination benefit to the employees who have been retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law.

In accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") the reserve for employment termination benefits is calculated by using Projection Method based on personnel service completion time and previous experience gained. The reserve for employment termination benefits is discounted by the rate of return of the government bonds at the balance sheet date.

Amendments applicable to TAS 19 have been completed and which alters the accounting of the benefit plans and redundancy payments. The most important amendments are pertinent to the accounting of benefit liabilities and plan assets. These amendments necessitate that the alterations are entered in the records as the case maybe there are alterations in the benefit liabilities and the fair value of the plan assets, which therefore, annihilates the "corridor method" as permitted under the preceding version of TAS 19, thus facilitating the registration of past service costs in the records. In order for the net pension assets or liabilities maybe reflecting exact value of the plan gap or surplus, these alterations necessitate all the actuarial losses and profits are immediately recognized as under other comprehensive income. In addition, instead of estimated returns attained from the plan assets described in the preceding version of TAS 19 and interest expense on the plan assets, "net interest" amount which is calculated as the consequence of the discount rate applied to the determined net benefit liability or asset was used. Modifications to TAS 19 are applied retrospectively.

For this reason, the Branch Management has evaluated the impact of the accounting policy change on the previous balance sheets resolving that balance sheets have not been restated since the effect is not material for the financial statements.

Branch Management has evaluated the impact of the actuarial profit/loss for calculating the employment termination benefit on the current balance sheets and recognized the effect in the statement of income, since it's not material for the financial statements.

The Branch has no employees who are members of any foundation or likewise corporations.

b. Defined Contribution Plans:

In accordance with the law the Branch is obliged to pay a contribution fee to Social Security Institution ("SSI") on behalf of the employees. The Branch has no other payment obligations to employees or "SSI". These contribution fees are reflected to personnel expenses at the date of accrual.

c. Short-Term Benefits to Employees:

Vacation fees defined as "Short-Term Benefits to Employees" in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") are accrued in the periods that they were entitled to and they cannot be discounted.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION:

a. Current tax:

"Corporate Tax Law" ("New Tax Law") No.5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to this Law, the corporate tax rate is 20% (2011: 20%). Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (eg. gain on subsidiaries, investment incentives) and investments and other allowances (eg. research and development expenses). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% after 23 July 2006. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if temporary prepaid tax remains, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholders' equity for five years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the twenty fifth day of the following fourth month after the closing of the accounting year to which they relate.

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish Corporate Tax Law, 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.

b. Deferred tax:

The Branch calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting 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. The calculated deferred tax assets and deferred tax liabilities are presented on a net basis in these financial statements.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON BORROWINGS:

Trading financial liabilities and derivative instruments are valued at the fair value and other financial liabilities are carried at amortised cost using the "effective interest method".

XVIII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Direct transaction costs regarding the issuance of share certificates are recorded under shareholders' equity after eliminating the tax effects. The Branch has no share certificates issued as of 31 December 2013 and 31 December 2012.

XIX. EXPLANATIONS ON ACCEPTANCES AND AVALIED DRAFTS:

Avalized drafts and acceptances are the contingent liabilities of the Branch and are included in the off-balance sheet commitments.

XX. EXPLANATIONS ON GOVERNMENT GRANTS:

The Branch has no government grants at as of 31 December 2013 and 31 December 2012.

XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings are available for profit distribution, subject to the written permission of BRSA.

XXII. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement is calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2013	31 December 2012
Distributable Net Profit to Ordinary Shares	6.959	25.592
Weighted Average Number of Issued Ordinary Shares (Thousand)	156.914	156.914
Earnings Per Share (Disclosed in full TL for nominal shares)	0,04435	0,16309

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXIII. EXPLANATIONS ON RELATED PARTIES:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VII of Section Five.

XXIV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS::

For the purposes of the cash flow statement, cash includes cash, effectives and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON SEGMENT REPORTING:

Informations related with areas of operations of the bank prepared in line with the organizational and internal reporting structure of the branch and in accordance with "Turkish Financial Reporting Standards related with Segment Reporting" ("TFRS 8") are disclosed.

The Branch manages its banking operations through three strategic business units: Retail banking, Corporate and Commercial banking and Treasury operations.

Retail banking provides deposits and loans to individual and small business customers. Other products and services include foreign currency exchange, cheques and bills and money orders.

Corporate and Commercial banking provided corporate and commercial customers financial solutions and banking services. Products and services include FC and TL loans, foreign trade finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, foreign exchange and deposits.

Treasury operations are managed by the Treasury Department. The Treasury Department has transactions such as purchases-sales of domestic marketable securities and TL and FC placement transactions.

Informations about the operating segments as of 31 December 2013 are presented on the table below.

	Retail Banking	Corporate and Commercial Banking	Treasury	Other^(*)	Total operations of the Branch
31 December 2013					
Interest Income	23	2.937	11.310	-	14.270
Net Fees and Commissions Income	-	1.744	-	-	1.744
Other Operating Income and Trading Income/(Loss) (Net)	-	3.775	-	-	3.775
Operating Revenue	23	8.456	11.310	-	19.789
Interest Expense	(239)	(118)	(331)	-	(688)
Other Operating Expense and Provision for Loan Losses and Other Receivables	(1.269)	(7.192)	(2.115)	-	(10.576)
Operating Expense	(1.508)	(7.310)	(2.446)	-	(11.264)
Operating Profit	(1.485)	1.146	8.864	-	8.525
Profit Before Tax	-	-	-	-	8.525
Corporate Tax	-	-	-	-	(1.566)
Minority Rights	-	-	-	-	-
Net Profit	-	-	-	-	6.959
Segment Assets ^(*)	341	22.780	302.070	10.192	335.383
Investment in Associates and Subsidiaries	-	-	-	-	-
Total Assets	341	22.780	302.070	10.192	335.383
Segment Liabilities ^(*)	5.527	79.555	53.905	6.936	145.923
Shareholders' Equity	-	-	-	189.460	189.460
Total Liabilities	5.527	79.555	53.905	196.396	335.383

(*) "Segment Assets" in "Other" column include tangible assets amounting to TL 8.462, intangible assets amounting to TL 371, tax assets amounting to TL 550 and other assets amounting to TL 809; "Segment Liabilities" in the "Other" column include other liabilities amounting to TL 2.312, provisions amounting to TL 3.909 and tax liability amounting to TL 715.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. EXPLANATIONS ON SEGMENT REPORTING (Continued)

	Retail Banking	Corporate and Commercial Banking	Treasury	Other^(*)	Total operations of the Branch
31 December 2012					
Interest Income	20	20.104	56.098	-	76.222
Net Fees and Commissions Income	-	9.205	-	-	9.205
Other Operating Income and Trading Income/(Loss) (Net)	-	3.989	-	-	3.989
Operating Revenue	20	33.298	56.098	-	89.416
Interest Expense	(420)	(5.406)	(37.081)	-	(42.907)
Other Operating Expense and Provision for Loan Losses and Other Receivables	(1.035)	(10.607)	(3.363)	-	(15.005)
Operating Expense	(1.455)	(16.013)	(40.444)	-	(57.912)
Operating Profit	(1.435)	17.285	15.654	-	31.504
Profit Before Tax	-	-	-	-	31.504
Corporate Tax	-	-	-	-	(5.912)
Minority Rights	-	-	-	-	-
Net Profit	-	-	-	-	25.592
Segment Assets ^(*)	386	29.236	367.747	10.670	408.039
Investment in Associates and Subsidiaries	-	-	-	-	-
Total Assets	386	29.236	367.747	10.670	408.039
Segment Liabilities ^(*)	5.504	57.827	153.766	6.863	223.960
Shareholders' Equity	-	-	-	184.079	184.079
Total Liabilities	5.504	57.827	153.766	190.942	408.039

(*) "Segment Assets" in "Other" column amounting to TL 10,670 include tangible assets amounting to TL 8.595, intangible assets amounting to TL 555, tax assets amounting to TL 494 and other assets amounting to TL 1.026; "Segment Liabilities" in the "Other" column include other liabilities amounting to TL 1.831, provisions amounting to TL 3.525 and tax liability amounting to TL 1.507.

XXVII. RECLASSIFICATIONS

There are no reclassifications to the 31 December 2012 financial statements in order to be in conformity with the financial statements as of 31 December 2013.

XXVIII. OTHER INFORMATION

None.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO:

The capital adequacy ratio of the Branch is 67,80% (31 December 2012:55,22%)

Capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”)”, “Communiqué on Credit Risk Mitigation Techniques” and “Communiqué on Calculation of Risk Weighted Amounts for Securitizations” published in the Official Gazette No: 28337 dated 28 June 2012 and the “Communiqué on Equities of Banks” published in the Official Gazette No: 26333 dated 1 November 2006.

In the calculation of capital adequacy ratio, the data prepared from accounting records 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.

There is no the derivative financial instruments and the credit derivatives between the banking accounts.

As per the article 5 of the Regulation, the “counterparty credit risk” is calculated for repurchase transactions, securities and commodities borrowing agreements.

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INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

Information related to capital adequacy ratio:

31 December 2013	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk									
Exposure Categories									
Conditional and unconditional receivables from central governments or central banks	145.456	-	-	-	-	21	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
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	-	-	790	-	-	76.179	-	-	-
Conditional and unconditional receivables from corporates	947	-	-	-	-	60.268	-	-	-
Conditional and unconditional retail receivables	189	-	-	-	-	1.024	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	5.926	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	149	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	38.972	-	-	-	-	9.251	-	-	-

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31 December 2012	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk									
Exposure Categories									
Conditional and unconditional receivables from central governments or central banks	119.347	-	-	-	-	29.145	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-
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	53.075	-	3.672	-	-	132.019	-	-	-
Conditional and unconditional receivables from corporates	3.438	-	-	-	-	41.004	-	-	-
Conditional and unconditional retail receivables	58	-	-	-	-	680	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	5.791	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	320	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	22.352	-	-	-	-	10.076	-	-	-

Summary of the capital adequacy standard ratio:

	31 Decemeber 2013	31 December 2012
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	12.244	17.594
Capital Requirement for Market Risk (MRCR)	1.791	1.374
Capital Requirement for Operational Risk (ORCR)	8.549	7.904
Shareholders' Equity	191.383	185.496
Shareholders' Equity / ((TRWA + ASMR + ASOR) *12.5) *100	67,80	55,22

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INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

Information about the shareholders' equity items:

	31 December 2013	31 December 2012
CORE CAPITAL		
Paid-in capital	156.914	156.914
Nominal capital	156.914	156.914
Capital Commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share premium	-	-
Share cancellation profits	-	-
Legal reserves	1.251	1.225
Inflation Adjustments to Legal Reserves	-	-
Profit	32.525	25.592
Current year profit (net)	6.959	25.592
Prior year profit	25.566	-
Provision for Possible Losses (up to 25% of Core Capital)	-	-
Income on Sale of Equity Shares and Real Estates	-	-
Primary subordinated loans up to 15% of the core capital	-	-
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses -	-	-
Prior Periods' Losses	-	-
Leasehold Improvements on Operational Leases (-)	-	-
Intangible Assets (-)	(371)	(555)
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
Total core capital	190.319	183.176
SUPPLEMENTARY CAPITAL		
General provisions	2.317	2.163
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current	-	-
Primary subordinated loans excluded in the calculation of the core capital	-	-
Secondary subordinated loans	-	-
45 % of Securities Value Increase Fund	(1.230)	157
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-	-
Total supplementary capital	1.087	2.320
CAPITAL	191.406	185.496
DEDUCTIONS FROM CAPITAL		
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against 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 from foreclosure	(23)	-
Securitization Positions to be Deducted from Equity	-	-
Other	-	-
TOTAL SHAREHOLDER'S EQUITY	191.383	185.496

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

"Internal Capital Assessment Process based on the Risk Management Policies and Implementation Procedures" was prepared and approved by Board of Managers as of 27 November 2012. The purpose of the evaluation process of the internal capital requirement, is to define and evaluate whether all the risks are included in the calculation of the legal capital requirements, and to provide the availability of adequate capital in order to cover for these risks and the application of the risk management techniques. Analysis of Internal Capital Adequacy for 2014 is presented to the Board of Managers on 17 February 2014.

Within this framework, 2013 capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of 2014 estimations and expectations of the Branch is evaluated. This evaluation for 2014 includes credit risk (general, country), market risk (interest rate risk, foreign currency risk, specific) and operational risk arising of the banking books as well as repricing, concentration and reputation risks.

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

II. EXPLANATIONS ON CREDIT RISK:

- a. Credit risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to banks with high credibility rate and other financial institutions. The Branch requires additional guarantees from the real persons and entities that the Branch extends loans to who were assessed as high risk after performing detailed risk ratings on individual loans. Due to the imposed sanctions, the credit transactions of the Branch decreased in 2013.

The credit worthiness of borrowers is monitored regularly. Audited information is obtained for the new rendered loans if possible. Unaudited information is examined in detail by loan department.

- b. At 31 December 2013, the Branch has no forward and option contracts or any other similar agreements.
- c. At 31 December 2013, the Branch has been faced with an insignificant amount of credit risk exposure.
- d. The Branch subjects the non-cash loans which are reimbursed, to the same risk weight as the loans which are passed due but not collected.

Rescheduled or restructured loans are monitored by the Branch according to the risk management and monitoring principles of the Branch. The financial conditions and commercial operations of the related customers are continuously analysed where interest and capital payments according to new payment plans are closely monitored.

- e. The Branch's transactions in foreign countries with regard to banking operations and credit facilities are mainly held with corporations based in Islamic Republic of Iran, where the head office of the Branch is also based.
- f. The Branch is not active in international banking market.
- g. 1. The proportion of the largest 100 cash loan balances in the total cash loan portfolio of the Branch is 100% (31 December 2012: 100%).
2. The proportion of the largest 100 non-cash loan balances in the total non-cash loan portfolio of the Branch is 100% (31 December 2012: 100%).
3. The proportion of the cash and non-cash loan balances in the total assets and non-cash loans is 6,42% (31 December 2012: 10%).
- h. The general loan loss provision amount provided for credit risk is TL 2.317 thousand (31 December 2012: TL 2.163thousand).

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II. EXPLANATIONS ON CREDIT RISK (Continued)

The Branch has not any internal rating model in order to evaluate during the loan application and assessment after granting loan.

	Current period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or central banks	145.477	141.765
Conditional and unconditional receivables from regional or local governments	-	-
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	76.969	88.607
Conditional and unconditional receivables from corporates	61.215	63.667
Conditional and unconditional retail receivables	1.213	991
Conditional and unconditional receivables secured by mortgages	-	-
Past due receivables	5.926	5.846
Receivables defined in high risk category by BRSA	149	265
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	48.223	38.301

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (28 June 2012) to the period end.

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INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Profile of significant exposures in major regions:

Exposure Categories ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Toplam
Current Period																	
1. Domestic	145.456	-	-	-	-	29.765	19.136	1.193	-	5.926	149	-	-	-	-	48.223	249.849
2. European Union(EU)	-	-	-	-	-	302	-	-	-	-	-	-	-	-	-	-	302
3. OECD Countries ^(**)	-	-	-	-	-	22	-	-	-	-	-	-	-	-	-	-	22
4. Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Other Countries	21	-	-	-	-	46.880	42.079	20	-	-	-	-	-	-	-	-	89.000
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	145.477	-	-	-	-	76.969	61.215	1.213	-	5.926	149	-	-	-	-	48.223	339.172

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

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

^(***) Includes asset and liability items that can not be 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 administrative units and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional retail receivables
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined in high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Other receivables

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INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

j. Risk profile by sectors or counterparties:

Exposure Categories ^(*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TP	YP	Toplam
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	1.978	-	-	-	-	-	-	-	-	-	553	1.425	1.978
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	1.978	-	-	-	-	-	-	-	-	-	553	1.425	1.978
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	10.966	-	-	5.926	-	-	-	-	-	-	16.892	-	16.892
Services	-	-	-	-	-	29.766	6.192	-	-	-	-	-	-	-	-	-	1.391	34.567	35.958
Wholesale and Retail Trade	-	-	-	-	-	-	6.105	-	-	-	-	-	-	-	-	-	-	6.105	6.105
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom.	-	-	-	-	-	-	87	-	-	-	-	-	-	-	-	-	87	-	87
Financial Institutions	-	-	-	-	-	29.766	-	-	-	-	-	-	-	-	-	-	1.304	28.462	29.766
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	145.477	-	-	-	-	47.203	42.079	1.213	-	-	149	-	-	-	-	48.223	172.970	111.374	284.344
Total	145.477	-	-	-	-	76.969	61.215	1.213	-	5.926	149	-	-	-	-	48.223	191.806	147.366	339.172

* Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 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 administrative units and non-commercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional retail receivables
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined in high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment funds
- 16- Other receivables

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II. EXPLANATIONS ON CREDIT RISK (Continued)

k. Analysis of maturity-bearing exposures according to remaining maturities:

31 December 2013	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Exposure Categories (*)(**)					
Conditional and unconditional receivables from central governments or central banks	12.353	6.183	49.482	36.561	11.081
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
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	11.017	-	-	-	-
Conditional and unconditional receivables from corporates	271	42.254	2.424	4.775	9.246
Conditional and unconditional retail receivables	278	1	103	434	138
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	149
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL	23.919	48.438	52.009	41.770	20.614

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

(**) Credit risk amounts which have no maturities do not comprise in the table.

I. Exposure Categories:

External risk ratings are not used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

m. Exposures by risk weights:

Risk weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	184.429	-	790	-	-	153.804	149	-	-	23
Exposures after Credit Risk Mitigation	185.565	-	790	-	-	152.666	149	-	-	2

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

n. Information by major sectors and type of counterparties:

As per the TAS and TFRS;

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “specific provisions” are allocated as per the Provisioning Regulation.

Past Due Credits; are the credits that overdue upto 90 days but not impaired. For such credits, “general provisions” are allocated as per the Provisioning Regulation.

<i>31 December 2013</i>	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments (*)	Provisions(**)
Agriculture	-	-	-	-
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	-	-	-	-
Mining and Quarrying	-	-	-	-
Production	-	-	-	-
Electricity, Gas and Water	-	-	-	-
Construction	7.366	-	-	1.928
Services	180	-	-	46
Wholesale and Retail Trade	180	-	-	46
Accommodation and Dining	-	-	-	-
Transportation and Telecom.	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	251	-	-	67
Total	7.797	-	-	2.041

(*)The figures represent the general provision amount for past due loans.

(**) The figures represent the specific provisions amount for impaired loans.

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II. EXPLANATIONS ON CREDIT RISK (Continued)

n. Information by major sectors and type of counterparties: (Continued)

<i>31 December 2012</i>	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments (*)	Provisions(**)
Agriculture	-	-	-	-
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4	-	-	4
Mining and Quarrying	-	-	-	-
Production	4	-	-	4
Electricity, Gas and Water	-	-	-	-
Construction	7.355	-	-	1.916
Services	285	-	-	75
Wholesale and Retail Trade	285	-	-	75
Accommodation and Dining	-	-	-	-
Transportation and Telecom.	-	-	-	-
Financial Institutions	-	9.024	177	-
Real Estate and Rental	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	7.644	9.024	177	1.995

(*)The figures represent the general provision amount for past due loans.

(**) The figures represent the specific provisions amount for impaired loans.

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II. EXPLANATIONS ON CREDIT RISK (Continued)

o. Movements in value adjustments and provisions:

31 December 2013	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	1.995	79	(33)	-	2.041
General Provisions	2.163	154	-	-	2.317

31 December 2012	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	1.969	26	-	-	1.995
General Provisions	4.930	-	2.767	-	2.163

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III. EXPLANATIONS ON MARKET RISK:

The Branch defines the market risk as the fluctuations in its portfolio value with the changes in the parameters such as market prices, interest rate, currency rates and prices of common stocks.

The Bank has established market risk operations and has taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with the regulation that is published in the Official Gazette No: 28337 dated 28 June 2012 regulation on "Banks' Internal Control and Risk Management Systems" and the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

Trading activities in behalf of itself, trading securities and commodity lendings and derivative transactions are not used by the Branch.

Effect of TL interest rates fluctuations caused by the available for sales portfolio are assessed via duration method.

The Branch is exposed to the currency risk as the component of market risk. In principle board of managers are responsible for determine rules and limits for foreign currency position direction, amount and components, however this authority have been transferred to the Risk Committee. The Risk Committee is assessed the Turkey and global economic developments and if necessary the rules and the limits related to the foreign currency position are changed by the Risk Committee.

The parts of market risk is closely monitored by the board of managers as per the approved limits.

a. Information related to market risk:

	<i>31 December 2013</i>	<i>31 December 2012</i>
(I) Capital Obligation against General Market Risk - Standard Method	-	-
(II) Capital Obligation against Specific Risk - Standard Method	-	-
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	1.791	1.374
(IV) Capital Obligation against Commodity Risk - Standard Method	-	-
(V) Capital Obligation against Settlement Risk - Standard Method	-	-
(VI) Total Capital Obligation against Market Risks of Options – Standard	-	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	1.791	1.374
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	22.388	17.175

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III. EXPLANATIONS ON MARKET RISK (Continued):

b. Market risk table of calculated market risk during the month ends

	<i>31 December 2013</i>		
	Average	Maximum	Minimum
Interest Rate Risk	-	-	-
Share Certificates Risk	-	-	-
Currency Risk	1.404	1.791	1.215
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	-	-	-
Total Amount Subject to	1.404	1.791	1.215

	<i>31 December 2012</i>		
	Average	Maximum	Minimum
Interest Rate Risk	2.299	2.910	-
Share Certificates Risk	-	-	-
Currency Risk	2.025	2.485	1.374
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	-	-	-
Total Amount Subject to	4.324	5.395	1.374

c. Quantitative information on counterparty risk

	Amount
Interest-Rate Contracts	-
Foreign-Exchange-Rate Contracts	-
Commodity Contracts	-
Equity-Shares Related Contracts	-
Other	-
Gross Positive Fair Values	-
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	-
Net Derivative Position	-

IV. EXPLANATIONS ON OPERATIONAL RISK:

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

Basic Indicator Approach	31.12.2010 Amount	31.12.2011 Amount	31.12.2012 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	41.391	88.376	41.203	56.990	15	8.549
Value at Operational Risk (Total*12.5)						106.856

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V. EXPLANATIONS ON CURRENCY RISK:

The Branch with the change in the currency system to floating currency, limits the total foreign currency position in accordance with the legal limits because of the increasing uncertainties in the changing currency path. The Branch does not hedge its foreign exchange debt instruments and net foreign exchange investments by the hedging derivatives.

The Branch holds position in line with the currency basket of CBRT to hedge the currency risk. Foreign Exchange asset-liability management has been effected as such all rates may be kept to be within liquidity and credit risks determined within the framework of risk-return profile of the Branch and in a way to ensure the sustainable profitability. Measurable and manageable risks have been undertaken as per the ratios that must be adhered to.

The foreign currency position risk of the Branch is monitored as per the limits and measured by "standard method"

The Branch's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	ABD Doları	Euro	100 Japon Yeni	B.A.E. Dirhemi
31 December 2013 tarihi itibarıyla	2,1304	2,9344	2,0240	0,58055
30 December 2013 tarihi itibarıyla	2,1604	2,9844	2,0557	0,58870
27 December 2013 tarihi itibarıyla	2,0957	2,8693	1,9955	0,57107
26 December 2013 tarihi itibarıyla	2,0710	2,8353	1,9795	0,56436
25 December 2013 tarihi itibarıyla	2,0812	2,8466	1,9908	0,56712

The simple arithmetical averages of the Branch's foreign exchange bid rates for the last thirty days are:

USD:	TL 2,0571
Euro:	TL 2,8161
100 Japanese Yen:	TL 1,9854
A.E.D:	TL 0,56055

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V. EXPLANATIONS ON CURRENCY RISK: (Continued)

Information on the foreign currency exchange rate risk of the Branch

	Euro	USD	Other FC	Total
31 December 2013				
Varlıklar				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	38.657	25.590	57	64.304
Banks	11.166	20.911	1.006	33.083
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	42.079	-	-	42.079
Loans and Receivables	402	5.326	-	5.728
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held to Maturity Securities	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	11	309	-	320
Total Assets	92.315	52.136	1.063	145.514
Liabilities				
Bank Deposits	34.386	12.854	56	47.296
Foreign Currency Deposits	45.634	28.316	693	74.643
Funds from Interbank Money Market	-	-	-	-
Borrowings	-	-	-	-
Marketable Securities Issued	-	-	-	-
Sundry Creditors	1.073	112	-	1.185
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	167	58	739	964
Total Liabilities	81.260	41.340	1.488	124.088
Net On-Balance Sheet Position	11.055	10.796	(425)	21.426
Net Off Balance Sheet Position				
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	2.598	259	-	2.857
31 December 2012				
Total Assets	137.847	22.911	34.068	194.826
Total Liabilities	128.285	21.519	27.861	177.665
Net On-Balance Sheet Position	9.562	1.392	6.207	17.161
Net Off Balance Sheet Position				
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	14.524	242	-	14.766

The table above summarizes the Branch's exposure to foreign currency exchange rate risk, categorised by currency. Foreign currency indexed assets, classified as Turkish lira assets according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of net foreign currency position. Therefore, as of 31 December 2013, foreign currency indexed loans amounting to TL 402 thousand (December 31, 2012: TL 771 thousand) that is recorded on the TL column in the balance sheet has not been included in the table above. Besides, general loan loss provision amounting to TL 1.843 thousand (31 December 2011: TL 1.760 thousand) has also not been included in the table above.

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VI. EXPLANATIONS ON INTEREST RATE RISK

"Interest rate risk" is defined as the impact of interest rate changes on interest-sensitive assets and liabilities of the Branch.

The Branch evaluates interest rate in two dimensions. This is maturity risk originating from the differences of maturity structures and repricing risk originating from the fluctuations of net interest margin. Interest rate risk is managed using natural hedges that arise from offsetting interest rate sensitive assets with interest rate sensitive liabilities.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

31 December 2013	Up to 1 Month	1 – 3 Months	3 – 12 Months	1– 5 years	Over 5 years	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-	-	67.364	67.364
Banks	11.017	-	-	-	-	65.093	76.110
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	8.501	-	-	-	-	-	8.501
Available-for-Sale Financial Assets	3.852	48.262	86.043	11.081	-	857	150.095
Loans and Receivables	17	176	7.704	9.468	-	5.756	23.121
Held to Maturity Securities	-	-	-	-	-	-	-
Other Assets ⁽¹⁾	-	-	-	-	-	10.192	10.192
Total Assets	23.387	48.438	93.747	20.549	-	149.262	335.383
Liabilities							
Bank Deposits	9.905	-	-	-	-	49.928	59.833
Other Deposits	1.272	11.406	1.927	-	-	63.183	77.788
Funds From Interbank Money Market	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	1.366	1.366
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-	-
Other Liabilities ⁽²⁾	1.789	392	26	-	-	194.189	196.396
Total Liabilities	12.966	11.798	1.953	-	-	308.666	335.383
Balance Sheet Long Position	10.421	36.640	91.794	20.549	-	-	159.404
Balance Sheet Short Position	-	-	-	-	-	(159.404)	(159.404)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	10.421	36.640	91.794	20.549	-	(159.404)	-

(1) "Other Assets" line includes Deferred Tax Assets, Tangible Assets, Assets Held for Resale and Other Assets.

(2) Shareholders' equity is presented under "Other liabilities" item in the "Non interest bearing" column.

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

31 December 2012	Up to 1 Month	1 – 3 Months	3 – 12 Months	1– 5 years	Over 5 years	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-	-	54.225	54.225
Banks	39.202	13.583	23.582	-	-	95.715	172.082
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	67.709	-	-	-	-	-	67.709
Available-for-Sale Financial Assets	-	42.026	26.980	4.725	-	-	73.731
Loans and Receivables	9.071	5.285	4.131	5.486	-	5.649	29.622
Held to Maturity Securities	-	-	-	-	-	-	-
Other Assets ⁽¹⁾	22	-	633	-	-	10.015	10.670
Total Assets	116.004	60.894	55.326	10.211	-	165.604	408.039
Liabilities							
Bank Deposits	28.986	21.025	20.482	-	-	83.273	153.766
Other Deposits	10.762	8.998	2.127	-	-	34.068	55.955
Funds From Interbank Money Market	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	7.376	7.376
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-	-
Other Liabilities ⁽²⁾	1.048	1.152	150	-	-	188.592	190.942
Total Liabilities	40.796	31.175	22.759	-	-	313.309	408.039
Balance Sheet Long Position	75.208	29.719	32.567	10.211	-	-	147.705
Balance Sheet Short Position	-	-	-	-	-	(147.705)	(147.705)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	75.208	29.719	32.567	10.211	-	(147.705)	-

(1) “Other Assets” line includes Deferred Tax Assets, Tangible Assets, Assets Held for Resale and Other Assets.

(2) Shareholders’ equity is presented under “Other liabilities” item in the “Non interest bearing” column.

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Effective average interest rates for monetary financial instruments:

Interest rates in the below tables are the weighted average rates of the related balance sheet items.

31 December 2013	Euro	USD	Yen	TL
	%	%	%	%
Assets				
Cash ve Central Bank of Turkey	-	-	-	-
Banks and Other Institutions	-	-	-	8,00
Financial Assets at Fair Value Through Profit / Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	3,50
Available-for-Sale Financial Assets	8,00	-	-	5,32
Loans and Receivables	-	7,02	-	15,03
Held to Maturity Securities	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1,62	1,16	-	4,01
Funds From Interbank Money Market	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-

31 December 2012	Euro	USD	Yen	TL
	%	%	%	%
Assets				
Cash ve Central Bank of Turkey	-	-	-	-
Banks and Other Institutions	3,64	-	-	12,93
Financial Assets at Fair Value Through Profit / Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	5,00
Available-for-Sale Financial Assets	8,00	-	-	9,32
Loans and Receivables	9,83	-	-	15,85
Held to Maturity Securities	-	-	-	-
Liabilities				
Bank Deposits	2,14	-	-	-
Other Deposits	3,54	1,64	-	4,00
Funds From Interbank Money Market	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Interest rate risk resulting from banking book:

According to "Regulation on Equities of Banks" published in the official gazette no 28756 dated 5 September 2013 and items followed in the trading book; interest rate risk is arising from all balance sheet and off-balance sheet items which are sensitive to interest except subordinated debts which are taken into account when equity is calculated. The interest rate risk resulting repricing risk, yield-curve risk, base risk and option risk.

Repricing Risk

The repricing risk is defined as probable loss from bank's net interest income and negative economic value caused by the interest rate fluctuations. On demand assets and liabilities in the Branch's balances sheet are not affected the fluctuations of interest rate change. Assets and liabilities, which having a fixed term, are sensitive to the repricing risk.

Yield Curve Risk

The yield curve risk is defined as probable loss from bank's net interest income and negative economic value caused by the alteration of yield curve. The Branch has not used financial instruments which are exposed to the yield curve risk. The Branch has not exposed to the yield curve risk.

Base Risk

The base risk is defined as probable loss from bank's net interest income and negative economic value caused by the base of interest rate increase or decrease in the Bank's operations. The Branch has not used the different base of the operations.

Option risk

The option risk is defined as probable loss from bank's net interest income and negative economic value caused by the option right/liability included embedded. The Branch has not used derivative instruments. There is no interest sensitive items including option except time deposit and the part of amount is immaterial.

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method is as follows:

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	(+) 500	(3.199)	%(1,67)
	(-) 400	2.759	%1,44
2. USD	(+) 200	(44)	%(0,02)
	(-) 200	2	%0,00
3. EUR	(+) 200	(138)	%(0,07)
	(-) 200	5	%0,00
Total (of negative shocks)		2.766	%1,44
Total (of positive shocks)		(3.381)	%(1,76)

Position risk of equity shares on banking book

- a) Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

None.

b) Comparison of carrying, fair and market values of equity shares

Equities	Comparison		
	Carrying Value	Fair Value	Market Value
1) Securities Available for Sale	1.237	857	-
Quoted on Stock Exchange	-	-	-
2) Associates	-	-	-
Quoted on Stock Exchange	-	-	-
3) Subsidiaries	-	-	-
Quoted on Stock Exchange	-	-	-

c) Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital

None.

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VII. EXPLANATIONS ON LIQUIDITY RISK:

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The Branch balances the maturities of the related assets and liabilities, keeps the mismatch of maturities under control. Major objective of the Branch's asset and liability management is to ensure that sufficient liquidity is available to meet the Branch's commitments to customers and to satisfy the Branch's own liquidity needs.

The most important funding resources of the Branch for long-term and short-term liquidity needs are the headquarters and other banks.

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 years	Over 5 years	Unclassified (1)	Total
31 December 2013								
Assets								
Cash and the Central Bank of the Republic of Turkey	67.364	-	-	-	-	-	-	67.364
Banks	65.093	11.017	-	-	-	-	-	76.110
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	8.501	-	-	-	-	-	8.501
Available-for-sale Financial Assets	-	3.852	48.262	86.043	11.081	-	857	150.095
Loans and Receivables	-	17	176	7.704	9.468	-	5.756	23.121
Held-to-maturity Securities	-	-	-	-	-	-	-	-
Other Assets (1)	-	-	2	124	-	-	10.066	10.192
Total Assets	132.457	23.387	48.440	93.871	20.549	-	16.679	335.383
Liabilities								
Bank Deposits	59.833	-	-	-	-	-	-	59.833
Other Deposits	63.183	1.272	11.406	1.927	-	-	-	77.788
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	1.366	-	-	-	-	-	-	1.366
Other Liabilities (2)	-	1.789	392	26	-	-	194.189	196.396
Total Liabilities	124.382	3.061	11.798	1.953	-	-	194.189	335.383
Net Liquidity Gap	8.075	20.326	36.642	91.918	20.549	-	(177.510)	-
31 December 2012								
Total Assets	137.840	128.104	60.894	55.326	10.211	-	15.664	408.039
Total Liabilities	124.717	40.796	31.175	22.759	-	-	188.592	408.039
Net Liquidity Gap	13.123	87.308	29.719	32.567	10.211	-	(172.928)	-

(1) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as tangible assets, investments, subsidiaries, stationary, pre-paid expenses and non-performing loans, are classified in this column.

(2) Shareholders' Equity is presented under the "Other Liabilities" item in the "Unallocated" column.

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

Securitization Positions

None.

Credit Risk Mitigation Techniques

The Bank applies simple financial collateral method based on the Article 19 of the Communiqué on financial collateral that includes the effects of risk mitigation calculations at fair value in compliance with the Article 33 of the "Regulation on Credit Risk Mitigation Techniques".

For mitigating the credit risk, only cash and cash equivalents are used.

In cases, where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

Exposure Categories (31 December 2013)	Amount(**)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	145.477	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
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	76.969	-	-	-
Conditional and unconditional receivables from Corporates	61.215	947	11.644	-
Conditional and unconditional retail receivables	1.213	189	967	-
Conditional and unconditional receivables secured by Mortgages	-	-	-	-
Past due receivables(*)	5.926	-	5.926	-
Receivables defined in high risk category by BRSA	149	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	48.223	-	-	-

(*)The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

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

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INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

Credit Risk Mitigation Techniques (Continued)

Exposure Categories (31 December 2012)	Amount(**)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	148.492	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
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	188.766	53.075	-	-
Conditional and unconditional receivables from Corporates	44.442	3.438	10.703	-
Conditional and unconditional retail receivables	738	58	158	-
Conditional and unconditional receivables secured by Mortgages	-	-	-	-
Past due receivables(*)	5.791	-	5.791	-
Receivables defined in high risk category by BRSA	320	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	32.428	-	-	-

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

Explanations on risk management objectives and policies

Risk is defined as a possibility of reduction in economic benefit in case of emerging a monetary loss related to a process or activity occurring an expense or loss.

The Bank is exposed to some risks due to perform activities in order to achieve its targets. Purpose of the risk management is to ensure that identification, measurement, reporting, monitoring, controlling of the risks exposed, in line with determined application procedures and the limits, and internal capital requirements consistent with the adopted risk profile within this context.

While risk management policies and procedures are determining, matters which are written below are considered.

- The bank's products and activities which has priority and weight, and their volume and property,
- The bank's organizational structure and human resources,
- Past events and experiences related to risks which will be exposed,
- The scope and quality of the data base for the risk management,
- The adequacy of the bank's technology and its contribution level of risk monitoring and management activities,
- Internal capital requirement and the actual capital levels and the level of risk consistent with these,

Risk management policies and procedures are determined and improved by considering bank's size; scope and complexity of activities and variety of used product, etc. When considered from this point of view, credit risk management is highly important.

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2013	Demand and Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total
Liabilities						
Deposit	124.288	11.406	1.927	-	-	137.621
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-
Total	124.288	11.406	1.927	-	-	137.621

31 December 2012	Demand and Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total
Liabilities						
Deposit	157.089	30.023	22.609	-	-	209.721
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-
Total	157.089	30.023	22.609	-	-	209.721

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VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

The expected fair value of the demand deposits represents the amount to be paid upon request. The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Branch. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Financial Assets	257.827	343.144	260.980	343.633
Money Markets	8.501	67.709	8.501	67.709
Banks	76.110	172.082	76.110	172.082
Available-for-sale Financial Assets	150.095	73.731	150.095	73.731
Loans and Receivables	23.121	29.622	26.274	30.111
Financial Liabilities	138.987	217.097	138.987	217.097
Bank Deposits	59.833	153.766	59.833	153.766
Other Deposits	77.788	55.955	77.788	55.955
Funds Borrowed	-	-	-	-
Sundry Creditors	1.366	7.376	1.366	7.376

INFORMATION RELATED TO FINANCIAL STRUCTURE OF THE BRANCH (Continued)

VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued):

TFRS 7, "Financial Instruments: Disclosures", requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is as follows:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

31 December 2013	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss) (Net)	-	-	-	-
Public Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	-	-	-
Available-for-Sale Financial Assets (Net)	108.016	42.079	-	150.095
Public Debt Securities	107.159	-	-	107.159
Other Marketable Securities(1)	857	42.079	-	42.936
Total Assets	108.016	42.079	-	150.095
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
31 December 2012	Seviye 1	Seviye 2	Seviye 3	Toplam
Financial Assets at Fair Value Through Profit or (Loss) (Net)	-	-	-	-
Public Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	-	-	-
Available-for-Sale Financial Assets (Net)	45.035	28.696	-	73.731
Public Debt Securities	44.036	-	-	44.036
Other Marketable Securities(1)	999	28.696	-	29.695
Total Assets	45.035	28.696	-	73.731
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	-	-	-

IX. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES AND FIDUCIARY ASSETS:

The Branch does not perform buying transactions on behalf of customers, and gives custody, administration and advisory services. The Branch does not deal with fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS:

a. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT):

1. Information related to cash and the account of CBRT:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Cash	757	36.811	3.104	19.247
The CBRT	2.303	27.493	2.729	29.145
Other	-	-	-	-
Total	3.060	64.304	5.833	48.392

2. Information related to the account of the CBRT:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Demand Unrestricted Account ⁽¹⁾	97	-	303	-
Time Unrestricted Account	-	-	-	-
Time Restricted Account	2.206	15.939	2.426	12.100
Reserve Requirement	-	11.554	-	17.045
Total	2.303	27.493	2.729	29.145

⁽¹⁾ The TL reserve requirement booked as average has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA as of 3 January 2008.

3. Information on reserve requirements:

As of 31 December 2013, the reserve rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11,5% depending on the maturity of deposits and the reserve rates for the foreign currency liabilities are within an interval from 6% to 12,5% depending on the maturity of deposits.

b. Information on financial assets at fair value through profit or loss:

As of 31 December 2013, the Branch does not have any financial assets at fair value through profit or loss (31 December 2012: None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

c. Information on Banks:

1. Information on banks:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Banks				
Domestic	447	28.462	1.701	15.311
Foreign	20.706	1.244	706	5.551
Head Quarters and Branches Abroad	21.874	3.377	62.766	86.047
Other Financial Institutions	-	-	-	-
Total	43.027	33.083	65.173	106.909

2. Information on foreign banks account::

	Unrestricted Amount		Restricted Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
EU Countries	301	3.536	-	-
USA, Canada	-	-	-	-
OECD Countries ⁽¹⁾	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other	21.649	2.721	-	-
Total	21.950	6.257	-	-

⁽¹⁾ OECD countries except EU countries, USA and Canada.

d. Information on available-for-sale financial assets, net:

- As of 31 December 2013 there are no available for-sale-financial assets subject to repo transactions (31 December 2012: None).
- As of 31 December 2013 there are no available-for-sale financial assets given as collateral/blocked amount (31 December 2012: None).
- Information on available-for-sale financial assets:

	31 December 2013	31 December 2012
Debt Securities	149.295	73.731
Quoted on Stock Exchange	107.216	45.035
Not Quoted	42.079	28.696
Share Certificates	1.237	-
Quoted on Stock Exchange	1.237	-
Not Quoted	-	-
Impairment Provision (-)	(437)	-
Total	150.095	73.731

*Impairment Provisions for share certificates TL 380 thousands, for debt securities TL 57 thousands.

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans:

1. Information on all types of loans and advances given to shareholders and employees of the Branch:

	31 December 2013		31 December 2012	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Branch's Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Branch's Shareholders	-	-	-	-
Loans Granted to Branch's Employees	140	14	217	14
Total	140	14	217	14

2. Information on the first and second group loans, other receivables and loans that have been restructured or rescheduled and other receivables:

Cash Loans (31 December 2013)	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring			
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	17.365	-	-	-	-	-
Working Capital Loans	-	-	-	-	-	-
Export Loans	5.326	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans to Financial	-	-	-	-	-	-
Consumer Loans	320	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Others (*)	11.719	-	-	-	-	-
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	17.365	-	-	-	-	-

(*)Discount notes are included that the balance.

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans: (Continued)

Cash Loans (31 December 2012)	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring			
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	15.245	-	-	8.728	-	-
Working Capital Loans	-	-	-	-	-	-
Export Loans	-	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans to Financial	2.408	-	-	456	-	-
Consumer Loans	489	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Others (*)	12.348	-	-	8.272	-	-
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	15.245	-	-	8.728	-	-

(*)Discount notes are included that the balance.

Loans and other receivables with extended payment plans;

No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	-	-
3, 4 or 5 times	-	-
Over 5 times	-	-

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

Loans and other receivables with extended payment plans (continued):

Extention Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	-	-
6 - 12 months	-	-
1 - 2 years	-	-
2 - 5 year	-	-
5 years and over	-	-

3. 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
Short-term Loans and Other Receivables	6.005	-	-	-
Non-specialised Loans	6.005	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	11.360	-	-	-
Non-specialised Loans	11.360	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-

	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
Short-term Loans and Other Receivables	9.712	-	8.728	-
Non-specialised Loans	9.712	-	8.728	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	5.533	-	-	-
Non-specialised Loans	5.533	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

4. Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards::

31 December 2013	Short-term	Long and medium term	Total
Consumer Loans - TL	33	144	177
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	144	144
Other	33	-	33
Consumer Loans - FC indexed	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Credit Cards – TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Consumer Credit Cards – FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel Loans - TL	-	143	143
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	10	10
Other	-	133	133
Personnel Loans – FC indexed	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel Credit Cards – FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft-TL (Real Person)	-	-	-
Overdraft-FC (Real Person)	-	-	-
Total Consumer Loans	33	287	320

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

4. Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards (continued):

31 December 2012	Short-term	Long and medium term	Total
Consumer Loans - TL	122	150	272
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	150	150
Other	122	-	122
Consumer Loans - FC indexed	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Credit Cards - TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Consumer Credit Cards - FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel Loans - TL	1	216	217
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	1	3	4
Other	-	213	213
Personnel Loans - FC indexed	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards - TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel Credit Cards - FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft-TL (Real Person)	-	-	-
Overdraft-FC (Real Person)	-	-	-
Total Consumer Loans	123	366	489

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

5. Information on commercial installment loans and corporate credit cards:

	31 December 2013			31 December 2012		
	Short Term	Medium and Long Term	Total	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	-	10.671	10.671	2.031	4.469	6.500
Real Estate Loans	-	-	-	-	-	-
Automobile Loans	-	-	-	-	-	-
Personal Need Loans	-	-	-	-	-	-
Other	-	10.671	10.671	2.031	4.469	6.500
Commercial Loans with Installment Facility – FC Indexed	-	402	402	-	771	771
Real Estate Loans	-	-	-	-	-	-
Automobile Loans	-	-	-	-	-	-
Personal Need Loans	-	-	-	-	-	-
Other	-	402	402	-	771	771
Commercial Loans with Installment Facility – FC	-	-	-	-	-	-
Real Estate Loans	-	-	-	-	-	-
Automobile Loans	-	-	-	-	-	-
Personal Need Loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate Credit Cards – TL	-	-	-	-	-	-
Installment	-	-	-	-	-	-
Non – Installment	-	-	-	-	-	-
Corporate Credit Cards – FC	-	-	-	-	-	-
Installment	-	-	-	-	-	-
Non – Installment	-	-	-	-	-	-
Overdraft Accounts – TL (Legal Entities)	-	-	-	-	-	-
Overdraft Accounts – FC (Legal Entities)	-	-	-	-	-	-
Total	-	11.073	11.073	2.031	5.240	7.271

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

6. (i) Information on loans by types and specific provisions:

31 December 2013	Corporate Loans	Consumer Loans	Total
Standart loans	17.045	320	17.365
Non-Performing loans	7.797	-	7.797
Specific Provisions (-)	(2.041)	-	(2.041)
Total	22.801	320	23.121

31 December 2012	Corporate Loans	Consumer Loans	Total
Standart loans	23.484	489	23.973
Non-Performing loans	7.644	-	7.644
Specific Provisions (-)	(1.995)	-	(1.995)
Total	29.133	489	29.622

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

6. (ii) Fair value of collaterals (Loans and advances given to customers):

31 December 2013	Corporate Loans	Consumer Loans	Total
Watch listed	-	-	-
Non-Performing loans	5.756	-	5.756
Total	5.756	-	5.756

31 December 2012	Corporate Loans	Consumer Loans	Total
Watch listed	8.728	-	8.728
Non-Performing loans	5.649	-	5.649
Total	14.377	-	14.377

7. Loans according to type of borrowers::

	31 December 2013	31 December 2012
Public	-	-
Private	17.365	23.973
Total	17.365	23.973

8. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers.

	31 December 2013	31 December 2012
Domestic Loans	17.365	8.915
Foreign Loans	-	15.058
Total	17.365	23.973

9. Loans granted to investments in associates and subsidiaries:

None (31 December 2012: None).

10. Specific provisions provided against loans:

	31 December 2013	31 December 2012
Loans and other receivables with limited collectibility	-	-
Loans and other receivables with doubtful collectibility	-	-
Uncollectible loans and other receivables	(2.041)	(1.995)
Total	(2.041)	(1.995)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

11. Information on non-performing loans (Net):

11 (i) Information on loans and other receivables rescheduled or restructured from non-performing loans:

The Branch has no loans and other receivables rescheduled or restructured from non-performing loans.

11 (ii) Information on the movement of total non-performing loans:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
31 December 2012	-	-	7.644
Additions (+)	2.455	-	262
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	2.455	-	109
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Others	-	-	-
31 December 2013	-	-	7.797
Specific provisions (-)	-	-	(2.041)
Net Balance on Balance Sheet	-	-	5.756

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
31 December 2011	-	195	7.458
Additions (+)	-	-	6
Transfers from other categories of non-performing loans (+)	-	-	180
Transfers to other categories of non-performing loans (-)	-	(180)	-
Collections (-)	-	(15)	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Others	-	-	-
31 December 2012	-	-	7.644
Specific provisions (-)	-	-	(1.995)
Net Balance on Balance Sheet	-	-	5.649

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

e. Information on loans (continued):

11. Information on non-performing loans (Net) (continued):

11 (iii) Information on non-performing loans granted as foreign currency loans:

The Branch has no foreign currency loans and other receivables in non-performing loans.

11 (iv) Information on non-performing loans according to user groups

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited	Loans and Other Receivables with Doubtful	Uncollectible Loans and Other Receivables
31 December 2013 (Net)	-	-	5.756
Loans to real and legal persons (Gross)	-	-	7.797
Specific provisions (-)	-	-	(2.041)
Loans to real and legal persons (Net)	-	-	5.756
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
31 December 2012 (Net)	-	-	5.649
Loans to real and legal persons (Gross)	-	-	7.644
Specific provisions (-)	-	-	(1.995)
Loans to real and legal persons (Net)	-	-	5.649
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

12. The policy followed for the collection of uncollectible loans and other receivables:

Uncollectible loans and other receivables are aimed to be liquidated through the collection of collaterals and legal procedures. The policy of the Branch regarding the writing-off the non – performing loans is as writing-off the ones that are proved as uncollectible.

f. Information on the write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

g. Information on held-to-maturity investments:

As of 31 December 2013 and 31 December 2012, the Branch has no held-to-maturity securities.

h. Information on investment in associates (Net):

As of 31 December 2013 and 31 December 2012, the Branch has no investments in associates.

i. Information on subsidiaries (Net):

As of 31 December 2013 and 31 December 2012, the Branch has no subsidiaries.

j. Information on joint ventures:

As of 31 December 2013 and 31 December 2012, the Branch has no joint ventures.

k. Information on finance lease receivables (Net):

None (31 December 2012: None).

l. Explanations on hedging derivative instruments:

None (31 December 2012: None).

m. Explanations on property and equipment:

	Immovables	Vehicles	Other Tangible Fixed Assets	Total
31 December 2012				
Cost	10.596	382	529	11.507
Accumulated depreciation	(2.461)	(241)	(210)	(2.912)
Net book value	8.135	141	319	8.595
31 December 2013				
Net book value at beginning of the year	8.135	141	319	8.595
Additions	60	58	110	228
Disposals, net	-	-	-	-
Transfers	-	-	-	-
Depreciation	(165)	(71)	(102)	(338)
Depreciation, Disposals	-	(12)	(11)	(23)
Depreciation, Transfers	-	-	-	-
Closing net book value	8.030	116	316	8.462
Cost at year end	10.655	373	602	11.630
Accumulated depreciation at year end	(2.625)	(257)	(286)	(3.168)
Closing net book value	8.030	116	316	8.462

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

n. Explanations on intangible assets:

	Software	Total
31 December 2013		
Net book value at beginning of the year	555	555
Additions	47	47
Disposals, net	-	-
Transfers	-	-
Depreciation	(210)	(210)
Depreciation, Disposals	(21)	(21)
Depreciation, Transfers	-	-
Closing net book value	371	371
Cost at year end	651	651
Accumulated depreciation at year end	(280)	(280)
Closing net book value	371	371

o. Explanations on investment property:

None (31December 2012: None).

p. Explanations on investment property:

The Branch has no fiscal loss that can be deducted from current tax liability. Assets and liabilities, which are calculated over the temporary differences arising between applied accounting policies and valuation principles and tax legislation are accounted as TL550 thousand (31 December 2011: TL494 thousand) on net basis to deferred tax assets.

	31 December 2013		31 December 2012	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Property, equipment and intangibles, net	1.215	243	1.155	231
Reserves for employment termination benefit	1.169	234	867	174
Court case provision	366	73	447	89
Total deferred tax asset	-	550	-	494
Total deferred tax liability	-	-	-	-
Deferred Tax Asset, net	-	550	-	494

r. Explanations on assets held for resale:

None (December 2012: None).

s. Explanations on other assets::

Other assets amount to TL 809 thousand (31 December 2012: TL1.026 thousand) and do not exceed 10% of the total balance sheet, excluding off-balance sheet commitments.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES:

a. Information on deposits

1. Information on maturity structure of the deposits:

There are no deposits with seven days notification and accumulative deposits.

(i) 31 December 2013:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 month – 1 year	1 year and over	Total
Saving Deposits	63	4	-	-	-	3	70
Foreign Currency Deposits	60.752	518	2.568	1.054	-	9.750	74.642
Residents in Turkey	27.277	296	2.195	-	-	-	29.768
Residents Abroad	33.475	222	373	1.054	-	9.750	44.874
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposits	2.328	708	-	-	-	-	3.036
Other Institutions Deposits	40	-	-	-	-	-	40
Gold Vault	-	-	-	-	-	-	-
Bank Deposits	59.833	-	-	-	-	-	59.833
The CBRT	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	59.833	-	-	-	-	-	59.833
Special Finance Institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	123.016	1.230	2.568	1.054	-	9.753	137.621

(ii) 31 December 2012:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 month – 1 year	1 year and over	Total
Saving Deposits	98	10	8	3	-	2	121
Foreign Currency Deposits	26.123	450	1.843	1.204	357	7.986	37.963
Residents in Turkey	8.405	266	1.486	282	153	242	10.834
Residents Abroad	17.718	184	357	922	204	7.744	27.129
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposits	7.818	-	10.022	-	-	-	17.840
Other Institutions Deposits	30	-	1	-	-	-	31
Gold Vault	-	-	-	-	-	-	-
Bank Deposits	83.274	-	17.606	-	45.180	7.706	153.766
The CBRT	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	83.274	-	17.606	-	45.180	7.706	153.766
Special Finance Institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	117.343	460	29.480	1.207	45.537	15.694	209.721

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES: (Continued)

a. Information on deposits (Continued):

2. Information on saving deposits insurance:

(i) Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund:

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Saving Deposits	66	109	4	12
Foreign Currency Saving Deposits	3.444	2.430	2.035	2.995
Other Deposits in the Form of Saving Deposits	-	-	-	-
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-

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

None (31 December 2012: None).

(iii) Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	31 December 2013	31 December 2012
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	288	781
Saving Deposits 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	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

b. Information on trading derivative financial liabilities:

As of 31 December 2013 and 31 December 2012, the Branch has no trading derivative financial liabilities.

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	-	-	-
Total	-	-	-	-

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

c. Information on borrowings (Continued):

2. Information on maturity structure of borrowings:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and Long-term	-	-	-	-
Total	-	-	-	-

As of 31 December 2013 and 31 December 2012, the Branch has no borrowings.

d. Information on other liabilities:

Other liabilities amount to TL 2.312 thousand (31 December 2012: TL 1.831 thousand) and do not exceed 10% of the total balance sheet.

e. Information on financial leasing agreements:

As of 31 December 2013 and 31 December 2012, the Branch has no financial lease payables.

f. Information on hedging derivative financial liabilities:

None (31 December 2012: None).

g. Information on provisions:

1. Information on general loan loss provisions:

	31 December 2013	31 December 2012
General Loan Loss Provisions		
Loans and Receivables in Group I	745	620
- Additional Provision for Loans and Receivables with extended maturities	-	-
Loans and Receivables in Group II	-	174
- Additional Provision for Loans and Receivables with extended maturities	-	-
Non-Cash Loans	71	71
Others	1.501	1.298
Total	2.317	2.163

2. Information on reserve for employee rights:

The provision for employee rights has been calculated by estimating the present value of the future probable obligation of the Branch arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

g. Information on provisions (Continued):

2. Information on reserve for employee rights (Continued):

	31 December 2012	31 December 2011
Discount rate (%)	2,12	2,19
Rate for the Probability of Retirement (%)	95,90	93

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.438,22 (1 January 2013: TL 3.129,25) effective from January 1, 2014 has been taken into consideration in calculating the reserve for employment termination benefits.

Movements in the reserve for employment termination benefits during the periods are as follows:

	31 December 2013	31 December 2012
Prior Period Ending Balance	504	470
Provisions Recognised During the Period	470	46
Paid During the Period (-)	(92)	-
Reversed During the Period (-)	-	(12)
Balance at the End of the Period	882	504

In addition as of , the Branch has provided a provision for unused vacation rights amounting to TL 287 thousand as of 31 December 2013 (31 December 2012: TL363 thousand).

3. Information on Provisions Related with Foreign Currency Difference of Foreign Indexed Loans:

As of 31 December 2013, the Branch has provision related to foreign currency difference of foreign indexed loans amounting to TL 50 thousand (31 December 2013: TL 73 thousand).

4. Specific provisions for non-cash loans that are non-funded and non-transformed into cash:

As of 31 December 2013, the Branch has specific provision for non-cash loans amounting to TL 57 thousand (31 December 2012: TL 47 thousand).

5. Information on other provisions:

(i) Information on provisions for possible risks::

As of 31 December 2013 and 31 December 2012, the Branch has no provisions for possible risks.

(ii) Other provisions if they exceed 10% of total provisions:

In the second quarter of 2007 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. As of 31 December 2013, the Branch had prudently provided a provision amounting to TL 366 thousand (31 December 2012: TL 447 thousand, the remaining TL 47 thousand provision is provided for indemnified cash loans). The remaining provision amounting to TL 57 thousand is provided for indemnified cash loans. Mentioned provisions are classified in the balance sheet under "Other Provisions".

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

h. Information on tax payable:

1. Information on current tax payable:

(i) Information on taxes payable:

	31 December 2013	31 December 2012
Corporate Tax Payable	392	1.152
Taxation of Marketable Securities	1	19
Property Tax	2	2
Banking Insurance Transaction Tax (BITT)	22	87
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	17	12
Other	186	130
Total	620	1.402

(ii) Information on premium payables:

	31 December 2013	31 December 2012
Social Security Premiums – Employee	34	39
Social Security Premiums – Employer	54	58
Bank Social Aid Pension Fund Premiums – Employee	-	-
Bank Social Aid Pension Fund Premiums – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	2	3
Unemployment Insurance – Employer	5	5
Other	-	-
Total	95	105

3. Information on deferred tax liability:

The Branch has no deferred tax liability (31 December 2012: None).

i. Information on liabilities for property and equipment held for sale and related to discontinued operations:

None (31 December 2012: None).

j. Explanations on subordinated loans:

The Branch has no subordinated loans as of 31 December 2013 and 31 December 2012.

k. Information on shareholders' equity:

- 1. Presentation of paid-in capital:** Since the entity has the status of a branch, paid-in capital is not received in exchange for shares.

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

k. Information on shareholders' equity (Continued):

2. The amount of paid-in capital, explanation on whether the registered share capital system is used, if this system is used the amount of registered share capital:

Capital system	Paid-in capital	Ceiling
Registered Share Capital	156.914	156.914

3. Information on share capital increases and their sources; other information on increased capital shares in current period:

None (31 December 2012: Branch's capital increasement from total internal sources is TL 103.259 and this amount consist of both TL 103.183 in the current period from retained earnings and TL 76 thousand from deferred tax asset no longer required from retained earnings).

4. Information on share capital increases from capital reserves in current period:

None (31 December 2012 :TL 76 thousand from deferred tax no longer required from retained earnings has been accounted under the retained earnings, after capital approval this balance has been added to the capital).

5. Information on capital commitments, the general purpose and the estimated sources needed for these commitments until the end of the fiscal year and the subsequent interim period:

None (31 December 2012: None).

6. Information on income, profitability and liquidity of the Group by taking into consideration prior period indicators and uncertainties and their possible effects on shareholders' equity:

There is no adverse change expected in the profitability and liquidity of the Branch.

7. Summarised information about privileges given to shares representing the capital:

None (31 December 2012: None).

l. Information on marketable securities value increase fund:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Valuation Difference	(1.230)	-	348	-
Foreign Currency Difference	-	-	-	-
Total	(1.230)	-	348	-

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS:

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 31 December 2013, all commitments of the Branch are irrevocable. The commitments for cheques is TL 117 thousand (31 December 2012: TL 116 thousand).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Branch has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2013	31 December 2012
Bank acceptance loans	-	-
Letters of credit	227	189
Other guarantees	893	717
Total	1.120	906

(ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	31 December 2013	31 December 2012
Revocable letters of guarantee	565	-
Irrevocable letters of guarantee	1.938	10.453
Letters of guarantee given in advance	833	5.069
Guarantees given to customs	-	-
Other letters of guarantees	-	-
Total	3.336	15.522

3. (i) Total amount of non-cash loans:

	31 December 2013	31 December 2012
Non-cash Loans Given for the Purpose of Obtaining Cash Loans	-	-
With Original Maturity of 1 Year or Less Than 1 Year	-	-
With Original Maturity of More Than 1 Year	-	-
Other Non-cash Loans	4.456	16.428
Total	4.456	16.428

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS
(Continued):

a. Explanations on off-balance sheet commitments (Continued):

(ii) Information on sectoral risk concentrations of non-cash loans:

	31 December 2013				31 December 2012			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising livestock.	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	880	30,80	-	-	704	4,77
Mining	-	-	-	-	-	-	-	-
Production	-	-	880	30,80	-	-	704	4,77
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	748	46,78	1.058	37,03	-	-	11.388	77,12
Services	442	27,64	900	31,50	512	30,81	2.359	15,98
Wholesale and Retail Trade	442	27,64	791	27,69	442	26,59	189	1,28
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	44	1,54	-	-	35	0,24
Financial Institutions	-	-	-	-	-	-	1.250	8,47
Real Estate and Leasing Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	65	2,28	70	4,22	885	5,99
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	409	25,58	19	0,67	1.150	69,19	315	2,13
Total	1.599	100,00	2.857	100,00	1.662	100,00	14.766	100,00

(iii) Information on non-cash loans classified in Group I and Group II:

31 December 2013	Group I		Group II	
	TL	FC	TL	FC
Non- Cash Loans				
Letters of Guarantee	1.586	1.750	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	227	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	13	880	-	-
Total	1.599	2.857	-	-

31 December 2012	Group I		Group II	
	TL	FC	TL	FC
Non- Cash Loans				
Letters of Guarantee	1.649	13.873	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	189	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	13	704	-	-
Total	1.662	14.766	-	-

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS
(Continued):**

a. Explanations on off-balance sheet commitments (Continued):

(iv) Maturity distribution of non-cash loans:

31 December 2013 ⁽¹⁾	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	227	-	-	227
Letter of Guarantee	1.135	575	776	850	3.336
Other	893	-	-	-	893
Total	2.028	802	776	850	4.456

31 December 2012 ⁽¹⁾	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	189	-	-	189
Letter of Guarantee	15.014	16	492	-	15.522
Other	717	-	-	-	717
Total	15.731	205	492	-	16.428

⁽¹⁾ The distribution is based on the original maturities.

b. Explanations on derivative financial instruments:

The Branch has no derivative financial instruments as of 31 December 2013 and 31 Decemeber 2012.

c. Explanations on contingent liabilities and assets:

In the second quarter of 2007 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. As of 31 December 2012, the Branch had prudently provided a provision amounting to TL 336 thousand (31 December 2012: TL 447 thousand). The remaining provision amounting to TL 47 thousand is provided for imdemnified cash loans. Mentioned provisions are classified in the balance sheet under "Other Provisions".

d. Explanations on activities carried out on behalf and account of other parties:

The Branch does not carry out trading, custody and fund management services on behalf of others and on their account as of 31 December 2013 and 31 December 2012.

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(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Short-Term Loans	428	257	4.681	14.610
Medium and Long-Term Loans	1.507	-	468	-
Interest on Non-Performing loans	-	13	-	-
Premiums Received from the Resource Utilisation Support Fund	-	-	-	-
Total	1.935	270	5.149	14.610

2. Information on interest income on banks:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	-	-	1.322	355
From Foreign Banks	-	-	269	140
Headquarters and Branches Abroad	631	487	3.150	35.635
Total	631	487	4.741	36.130

3. Information on interest income on marketable securities:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	5.561	2.986	5.983	1.942
From Held-to-Maturity Investments	-	-	-	-
Total	5.561	2.986	5.983	1.942

4. Information on interest income received from investments in associates and subsidiaries:

The Branch has no interest income received from investments in associates and subsidiaries (31 December 2012: None).

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2013		31 December 2012	
	TL	FC	TL	FC
Banks	-	-	-	3.669
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	-	-	3.669
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	-	-	-	3.669

2. Information on interest expense given to investments in associates and subsidiaries:

The Branch has no interest expense given to investments in associates and subsidiaries (31 December 2012: None).

3. Interest expense on Securities Issued:

The Branch has no interest expense given to securities issued (31 December 2012: None).

4. Maturity structure of the interest expense on deposits:

There are no deposits with seven days notification and accumulative deposits.

31 December 2013	Demand Deposits	Time Deposit					
		Up to 1 Month		Up to 1 Month		Up to 1 Month	
TL							
Bank Deposits	39	-	-	-	-	-	39
Saving Deposits	-	1	-	-	-	-	1
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposit	-	9	71	-	-	-	80
Other Deposits	-	-	-	-	-	-	-
Total	39	10	71	-	-	-	120
FC							
Foreign Currency Deposits	-	4	30	17	7	179	237
Bank Deposits	49	-	-	-	282	-	331
Gold Vault	-	-	-	-	-	-	-
Total	49	4	30	17	289	179	568
Grand Total	88	14	101	17	289	179	688

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(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

b. Information on interest expense: (Continued)

31 December 2012	Demand Deposits	Time Deposit					
		Up to 1 Month		Up to 1 Month		Up to 1 Month	
TL							
Bank Deposits	144	-	-	-	4.054	-	4.198
Saving Deposits	-	5	1	-	-	-	6
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposit	-	645	631	-	-	-	1.276
Other Deposits	-	-	-	-	-	-	-
Total	144	650	632	-	4.054	-	5.480
FC							
Foreign Currency Deposits	-	13	79	37	5	280	414
Bank Deposits	2	-	-	-	33.342	-	33.344
Gold Vault	-	-	-	-	-	-	-
Total	2	13	79	37	33.347	280	33.758
Grand Total	146	663	711	37	37.401	280	39.238

c. Explanations on dividend income:

None (31 December 2012: None).

d. Explanations on trading loss/income (Net):

	31 December 2013	31 December 2012
Income	8.270	7.394
Income from Capital Market Transactions	-	-
Derivative Financial Transactions	-	-
Other	-	-
Foreign Exchange Gains	8.270	7.394
Loss (-)	(5.093)	(6.636)
Loss from Capital Market Transactions	-	-
Derivative Financial Transactions	-	-
Other	-	-
Foreign Exchange Loss	(5.093)	(6.636)
Net Income / Loss	3.177	758

e. Explanations on other operating income:

There are no extraordinary items included in other operating income.

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(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

f. Provision expenses related to loans and other receivables of the Branch:

	31 December 2013	31 December 2012
Specific Provisions for Loans and Other Receivables	79	50
III. Group Loans and Receivables		
IV. Group Loans and Receivables		
V. Group Loans and Receivables	79	50
General Provision Expenses	154	
Provision Expense for Possible Risks		
Marketable Securities Impairment Expense	41	
Financial Assets at Fair Value Through Profit or Loss		
Available-for-sale Financial Assets	41	
Investments in Associates, Subsidiaries and Held-to-Maturity Securities		
Value Decrease		
Investments in Associates		
Subsidiaries		
Joint Ventures		
Held-to-maturity Securities		
Other		
Total	274	50

g. Information related to other operating expenses:

	31 December 2013	31 December 2012
Personnel Expenses	6.239	6.494
Reserve for Employee Termination Benefits	493	46
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	358	331
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	231	100
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	909	1.153
Operational Leasing Expenses	-	-
Maintenance Expenses	42	113
Advertisement Expenses	19	22
Other Expenses	848	1.018
Loss on Sales of Assets	-	-
Other	2.072	6.831
Total	10.302	14.955

h. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to TL 13.582 thousand (31 December 2012: TL 33.515 thousand), net fee and commission income amounting to TL 1.744 thousand (31 December 2012: TL 9.205 thousand) and total other operating expense amounting TL 10.302 thousand (31 December 2012: TL 14.955 thousand).

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

i. Explanations on tax provision:

1. Explanations on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2013, the Branch has a current tax expense of TL 1.409 thousand (31 December 2012: TL 6.025 thousand) and deferred tax income of TL 157 thousand (31 December 2012: TL 113 thousand expense).

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or closed:

The Branch calculated net deferred tax income of TL 157 thousand (31 December 2012: deferred tax expense of TL 113 thousand) due to the occurrence of temporary differences as of 31 December 2012.

3. Explanations on reflection of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 December 2013, the Branch has TL 157 thousand deferred tax expense due to the occurrence of temporary differences (31 December 2012: TL 113 thousand expense)

j. Explanations on net income/loss for the period:

To understand the Branch's current year performance, the characteristics of income or expense items arising from common banking transactions, and the dimension and recurrence of these transactions are not required.

k. Other items do not exceed 10% of the total income statement.

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY:

a. Explanation on profit distributions:

Retained earnings of the Branch can be distributed through the permission of the BRSA.

b. Amounts transferred to legal reserves:

None (31 December 2012: None).

c. Information on capital increase:

None. (31 December 2012: TL 103.259 thousand amount of capital increase due to the amount of TL 544 thousand of the branch's retained earnings and deferred tax from the undistributed profit for 2009 amounting to TL 18.276 thousand, for 2010 amounting to TL 26.378 thousand and for 2011 amounting to TL 58.529 thousand with a total TL 103.727 regarding the net off of TL 468 thousand deferred tax is announced with respect to BRSA's 27 November 2012 dated no 24111 article and 26 December 2012 dated no 8223 article in the Official Gazette)

d. Explanations on available-for-sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognised in current year profit or loss statement but recognised in the "Marketable securities value increase fund" account under shareholders' equity, until the financial assets are derecognised, sold, disposed of or impaired.

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VI. EXPLANATIONS AND DISCLOSURES ON STATEMENT OF CASH FLOWS:

a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and effectives together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market placements and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

2. Effect of a change on the accounting policies: None (31 December 2012: None).
3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

(i). Information on cash and cash equivalents at the beginning of the year:

	31 December 2013	31 December 2012
Cash	223.968	2.703.332
Cash and Effectives	22.351	25.117
Demand Deposits in Banks	201.617	2.678.215
Cash Equivalents	67.700	63.500
Interbank Money Market Placements	67.700	63.500
Time Deposits in Banks	-	-
Total Cash and Cash Equivalents	291.668	2.766.832

The total amount from the operations the in prior period gives the total cash and cash equivalents amount at the beginning of the current period.

(ii). Information on cash and cash equivalents at the end of year:

	31 December 2013	31 December 2012
Cash	143.457	223.968
Cash and Effectives	37.568	22.351
Demand Deposits in Banks	105.889	201.617
Cash Equivalents	8.500	67.700
Interbank Money Market Placements	8.500	67.700
Time Deposits in Banks	-	-
Total Cash and Cash Equivalents	151.957	291.668

b. Information on cash and cash equivalent assets of the Branch that is not available for free use due to legal restrictions or other reasons:

None (31 December 2012: None).

c. Explanations on the other cash flow items and effect of changes in foreign exchange rates on cash and cash equivalents:

Decrease in the "Other" item amounting to TL 10.333 thousand (31 December 2012: TL 6.933 thousand decrease) which is classified under "Cash flows from banking operations" consists mainly of items such as fees and commissions, foreign exchange gains/losses and other operating expenses excluding personnel expenses.

The effect of changes in the foreign currency rates on the cash and cash equivalents is calculated approximately TL 10.336 thousand as of 31 December 2013 (31 December 2012: TL (7.133) thousand).

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VII. EXPLANATIONS AND NOTES RELATED TO BRANCH'S RISK GROUP:

The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. 31 December 2013:

	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Branch's Risk Group ^{(1), (2)}						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	155.542	1.250
Balance at the End of the Period	-	-	-	-	25.408	14
Interest and Commission Income Received	-	-	-	-	1.275	16

⁽¹⁾ Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

⁽²⁾ The information in table above includes banks as well as loans.

2. 31 December 2012:

	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Branch's Risk Group ^{(1), (2)}						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	2.638.501	16.092
Balance at the End of the Period	-	-	-	-	155.542	1.250
Interest and Commission Income Received	-	-	-	-	9.906	195

⁽¹⁾ Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

⁽²⁾ The information in table above includes banks as well as loans.

3. Information on deposits of the Branch's risk group:

Branch's risk group ⁽¹⁾	Investments in Associates, Subsidiaries and Joint Ventures		Direct and Indirect Shareholders of the Branch		Other Real and Legal Persons That Have Been Included in the Risk Group	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposit						
Balance at the Beginning of the Period	-	-	-	-	150.950	2.953.541
Balance at the End of the Period ⁽²⁾	-	-	-	-	53.854	150.950
Interest Expense on Deposits	-	-	-	-	331	33.412

⁽¹⁾ Defined in the Subsection 2, article 49 of the Banking Act No. 5411.

⁽²⁾ As of 31 December 2013, the TL 53.854 thousand of the TL 42.387 thousand included in balance sheet Deposits – Risk Group is composed of Bank Mellat Head Office. TL 11.178 thousand is composed of Iran Central Bank.

(As of 31 December 2012, the TL150.950 thousand of the TL 130.429 thousand included in balance sheet Deposits – Risk Group is composed of Bank Mellat Head Office. TL20.521 thousand is composed of Iran Central Bank.

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VII. EXPLANATIONS AND NOTES RELATED TO BRANCH'S RISK GROUP (Continued):

The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued):

4. Information on borrowings from the Branch's risk group:

Branch's risk group ⁽¹⁾	Associates and subsidiaries		Direct and indirect shareholders of the Branch		Other items that have been included in the risk group ⁽²⁾	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Borrowings						
Beginning of the Period	-	-	-	-	-	225.112
End of the Period	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	3.669

(1) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(2) 31 December 2013- None (31 December 2012: None).

5. Information on forward and option agreements and other similar derivative transactions with the Branch's risk group:

The Branch has no forward and option agreements and other similar derivative transactions as of 31 December 2013 and 31 December 2012.

6. Information on benefits provided to key management:

As of 31 December 2012, benefits provided to the Branch's key management amount to TL 1.732 thousand (31 December 2012: TL 1.632 thousand).

VIII. EXPLANATIONS RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BRANCH

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch	3	50			
Foreign Rep. Offices					
Foreign Branch					
Off-Shore Banking Region Branch					

**BANK MELLAT, HEAD OFFICE: TAHRAN-İRAN İSTANBUL TURKEY MAIN,
ANKARA AND İZMİR BRANCHES
NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS:

Shareholding structure of the Bank Mellat of Tehran-Iran presented herein below as at 15 February 2014, holding the whole equity of the Branch has been reported to the BRSA (Banking Regulation and Supervision Agency) in the statement dated 27 February 2014 and with No. 1007.

No	Shareholder	Rate
1	ADALET HİSSELERİ (EYALET YATIRIM FİRMALARI)	30,00
2	İRAN İSLAM CUMHURİYETİ	19,66
3	SOSYAL GÜVENLİK KURUMU	9,99
4	SABA TEMİN YATIRIM FİRMASI	6,49
5	BANK MELLAT PERSONEL GELECEK GÜVENLİK FONU	5,10
6	PERSONEL PAYLARI	3,96
7	MELLAT MALİ GRUBU	3,61
8	İRAN GENEL DAĞITIM FİRMASI	2,15
9	MOEIN ATIYE KHAHAN KOOPERATİF FİRMASI	1,78
10	ŞİRİN ASAL ŞİRKETİ	1,46
11	PETROL EMEKLİLİK SANDIĞI YATIRIM FİRMASI	1,28
12	İRAN ULUSAL YATIRIM ŞİRKETİ	1,11
13	MELLAT SİGORTA ŞİRKETİ	1,02
14	OMRAN RAZAVİ ULUSLARASI FİRMASI (ŞİRKETİ)	1,02
15	DİĞER ORTAKLAR (%1 ALTINDA KALAN)	11,37
TOTAL		100,00

In accordance with the statement of BRSA dated 5 March 2014, the Branch was granted with the license to carry out its activities with regards to insurance agency and brokerage services.

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BRANCH'S OPERATIONS:

As per the Financial Restrictions Imposed on Iran by the decree dated 9 October 2009, the UK Department of Treasury has banned the whole financial sector from being engaged in financial activities with Bank Mellat. Thereafter, Bank Mellat has attempted legal action against this decision. As of 19 June 2013, the Court of Queen's Bench (the UK) has announced its judgment on the said attempts and pursuant to the said judgment; it has invalidated the aforesaid mandate of the Department of Treasury with respect to the Financial Limitations Imposed on Iran.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT:

The unconsolidated financial statements as of 31 December 2013 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited).

The independent auditor’s report is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

There is no significant matter or disclosure which may be in connection with the Bank’s operations but not explained in the above sections.

3. Information about Financial Structure

Net profit of Bank Mellat Turkey for the period amounts to TL 6.959.000. As of the date of 31 December 2013 its equity and total assets amount to TL 189.460.000 and TL 335.383.000 respectively.

3.1. Assessment of Financial Status, Stability and Solvency

The profitability rates as of the date of 31 December 2013 are as follows.

Profit Before Tax / Total Assets	8.525 / 335.383	2,54%
Profit Before Tax / Total Shareholder's Equity	8.525 / 189.460	4,50%
Profit Before Tax / Paid Capital	8.525 / 156.914	5,43%

Bank Mellat has enough cash and cash-equivalent resources to meet its liabilities.

4. Risk Management Policies by Risk Types

Risk means the material loss that emerges in respect of any transaction or activity or the possibility of reduced economic benefit in case of such expense or loss incurred.

The branch is exposed to several risks due to the activities performed in order to meet its objectives. Purpose of risk management is to identify, measure, report, monitor and control imposed risks through application procedures and specified limits and to ensure determination internal capital requirement consistent with the risk profile to be adopted in this context.

The Board of Managers is entitled to determine the norms and principles, policies, procedures, practices and limits regarding the risk management system. The Board of Directors may delegate such power to the board members, the committees to be established and the senior line managers provided that the extent and limitations are specified in writing.

The following issues have been taken into account in determining the risk management policies and implementing procedures.

- Vision, mission, strategies and objectives of the Bank,
- Privileged and main fields of activity, products of the Bank and their volume and characteristics,
- Organizational structure and human resources of the Bank
- Previous incidents and experiences regarding the risks to be imposed,
- Extent and quality of the data base regarding risk management,
- Technological capability of the Bank its contribution to risk monitoring and management operations,
- Requirement of internal capital and level of actual equity capital and the risk level consistent with them.

Considering the size of the Branch, extent and complexity of its operations, the trade volume and product diversity it is not necessary to develop risk management policies and procedures for all risk types and sub-types. The branch management believes that it would be appropriate and sufficient to develop policies and procedures for some specific risk types and sub-types pursuant to the principle of significance.

Because of its activities the Branch is primarily exposed to credit and operational risks and after these market risks at a less significance level.

4.1. Principles and Policies for Credit Risk Management

The Board of Managers is entitled to open a credit. The Board of Managers may delegate the power of extending loans to the General Manager under the provisions of the Banking Law and relevant legislation. However, in practice all decisions regarding credits are made by the Board of Managers.

Board of Managers is entitled to determine the extent and terms of credit operations.

The following priorities shall be observed in the credit facility operations of the Bank.

- In resource and limit allocation for credit facility operations the bank concentrates on cash credits with a maturity of less than a year for foreign trade transactions where we act as an intermediary and non-cash credits such as letter of guarantees, documentary credits and silent confirmation that customers may need for export and import transactions.
- Even though it is not possible to absolutely avoid concentrating in any product or sector in the Branch credit risk in terms of target transaction types and target customers, the Branch is careful and prudent to distribute the credits to a large customer group in a balanced manner.
- Customer demands for such credit facility operations other than those mentioned in the previous paragraph have secondary importance for the bank and are considered taking risk return balance, maturity and security quality, etc. into account.
- The amount of loans to be extended with a maturity of more than a year cannot exceed 20% of free shareholder's equity and weighted average maturity may not be longer than 18 months.
- Investment will be made in securities representing a low risk weighted liability such as Treasury bond, state bond and TCB (Turkish Central Bank) liquidity bond within the scope of fund management. Marketable securities representing the remaining liability other than those mentioned and partnership interests may be acquired upon the resolution of Board of Managers.
- Demand deposits offered to other banks for banking operations and time deposits offered to other banks as a part of fund management will be executed within the frame of such limit and terms specified by the Board of Managers.
- Loan allocation and extension are executed according to the principle of "Know your customer very well". No credit will be allocated to such companies without a reasonable operational background which have failed to submit any necessary information or documentation in full or within the timeframe specified whose management and/or owner lacks sufficient knowledge, capability or transparency where it is not possible to get sufficient information about them.
- In respect of loan decisions debtor's morality and capacity of generating cash flow to be used for repayment of the credit will be evaluated with care as well as such security or guarantee obtained.
- As a matter of principle, credits are issued against a valid security. Category I and II securities will be sought in the first place as specified in the Regulation on Identification of the Properties of Loans and Other Receivables by Banks and the Rules and Procedures on such Provisions for the same as security. Any asset other than those which can be converted into cash easily and rapidly with an operational market whose value can be defined avoiding any doubt will not be accepted as a security.
- A reasonable margin will be defined for the amount of security depending upon loan terms (interest, maturity, etc.). The amount of security will be calculated in such manner that it can meet the whole risk to be imposed in case of default. Currency and maturity of the security should be consistent with the risk.
- Credits are priced by taking their risk levels into consideration and the risk return balance is observed in each credit transaction. Risks to be undertaken against return will be considered as well as credit terms and maturity. Evaluations are used as a basic criterion in determining the credit price.

- Limits specified for total credit risk and sovereign risks are strictly observed. The issue of compliance is monitored to a very day and any exceeding is immediately reported to the General Manager and eliminated as soon as possible.

4.2. Principles and Policies for Operational Risk Management

Operational risk is defined as a risk of loss that results from insufficient or unsuccessful internal processes, people and systems, or external events. Operational risks with a potential of causing significant losses are the incidents which may result in system interruptions or problems, patterns of business conduct and in-house fraud.

Types of operational incidents do not have equal risk weights at the Branch. Operational risk principles, policies and practices are determined considering the risk weight of the type of incident that is deemed to be applicable to the Branch. Underwriting method will be utilized to reduce the risk if it is appropriate and feasible for the types of incident. The main principles, policies and measures regarding the operational risk management of the Branch are as follows.

- Underwriting technique is used for the purpose of reducing the operational risk where it is appropriate and feasible. The senior management of the bank is entitled to determine the cases in which this method is to be used and to apply the underwriting method.
- In all operations of the Bank the powers and responsibilities of those who decides and/or approves that the bank may be a party to any banking transaction and of those who are in charge of executing, performing and concluding the transaction are separate, and any overlapping transaction is not allowed.
- The powers and authorizations regarding the approval of all kinds of banking transaction and actual performance of such transaction are strictly separated from one other.
- Any person who is authorized to establish a trading and/or investment borrowing relation with any addressee and identify the terms of pricing, maturity or similar terms relating to such transactions will not be entitled to fulfill any operational task regarding such transactions.
- Operational transactions may be subject to different approval limits in terms of transaction amount in addition to the separation of approval and performance tasks. General Manager is entitled to set different limits for different kinds of transactions and determine the codes of practice relating to the same.
- Operations of the bank are supported with hardware and software systems which is compatible with international standards and local regulations and preventive and cautionary in terms of ensuring that potential risks do not turn into actual risks strengthening the operational productivity and reliability and enhancing the control efficiency.
- All necessary measures are taken by the Bank to ensure that the employees follow the developments in legislation and practices and are informed about them in a timely manner, and understand the content and scope of the amendments, and their effects on operations are communicated to the employees. These efforts are supported through in-house and external training events. The adequacy and extent of the efforts will be regularly monitored by means of compliance controls.
- Developments in work volume of the Bank are digitalized as of the periods. The relation between work load, tendencies about work load, any mistake, deficiency and contradictions about work force are analyzed in this manner. The results are assessed in order to take any necessary action. An organizational structure for internal control and internal audit which is consistent with the nature, scope and frequency of the findings obtained from the assessments are established. Sufficient number of experienced employees with appropriate qualifications is employed at those departments as is required for the job performed.

- Internal control operations constitute a complementary part of daily business operations of the Bank and primarily aim to minimize the possibility and severity of the operational risk.
Internal control department continuously develops preventive and determinative controls and conduct material mistake, reporting, physical control, approval and authorization, enquiry and reconciliation and limit compliance checks in specified intervals and with specific content.
- The frequency and quality of internal audit efforts and internal control operations to be performed regularly will be evaluated in a risk based manner. Internal audit department will make suggestions about any development, trend or privileged issue or necessary measures to be taken with respect to the operational risks.

4.3.Principles and Policies for Market Risk Management

The Branch is not actively engaged in trading activities, holds no securities or commodities position for trading purposes or uses no derivative financial instruments on its own behalf. Considering this situation, the Branch is exposed to interest risk and exchange risk due to marketable securities and foreign Exchange position respectively. The following principles and policies are applicable to those risks at low severity level.

- The bank's fixed term resource pattern, weighted maturity (duration) and cost of this pattern are taken into account in acquisition of marketable securities.
- Though the Board of Managers is entitled to determine the rules and restrictions regarding the direction, amount and composition of the foreign exchange position of the Bank as a principle such power has been delegated to the Risk Committee by the Board of Managers. Risk Committee evaluates the economic developments in Turkey and the world by such intervals they deem fit and makes any necessary change in such limits and restrictions regarding the foreign exchange position.
- Minimum 80% of the Bank's net foreign exchange position consists of USD and EURO positions or currencies anchored to such currencies.

4.4.Principles and Policies for Liquidity Risk Management

Liquidity Risk which is defined as the failure to meet the payment obligations in full or in a timely manner as there is not enough or proper cash or cash inflow to meet the cash outflow in full or in a timely manner as a result of an imbalance in cash flow is managed in accordance with the following principles and policies.

- Liquidity risk is taken into consideration in all decisions regarding asset allocation including the credits. It is essential that liquidity management is performed in currency of the capital used.
- The maturity pattern of the existing bank assets and new utilization areas are taken into consideration in determining the maturity of such funds.
- Concentrations of customer and maturity in out - group sources are monitored closely. The amount and composition of liquid asset to be held are determined by considering such concentrations as well as statutory obligations.

5. Ratings and Their Implications

The branch has no rating score.

6. Summary Financial Information for the Five year Period including the Reporting Period (TL - thousand)

Financial Statement

**BANK MELLAT, HEADQUARTERS: TEHRAN – IRAN, TURKEY HEAD OFFICE IN ISTANBUL, BRANCH OFFICES IN ANKARA AND
IZMIR 2013 ANNUAL REPORT**

ASSET ITEMS	2013	2012	2011	2010	2009
Cash Reserves	75.865	121.934	253.330	161.707	30.975
Banks	76.110	172.082	2.581.036	389.036	97.316
Credits	23.121	29.622	585.529	1.119.411	226.950
Securities	150.095	73.731	109.828	154.884	30.167
Other Assets	10.192	10.670	9.926	9.614	9.601
Total Assets	335.383	408.039	3.539.649	1.834.652	395.009
LIABILITY ITEMS					
Deposit	137.621	209.721	3.091.768	462.709	124.809
Borrowed loans	-	-	225.112	41.548	21.755
Provisions (Tax and Other)	4.624	5.032	14.696	6.810	3.967
Other Liabilities	3.678	9.207	50.864	1.223.458	170.831
Shareholder's Equity	189.460	184.079	157.209	100.127	73.647
Total Liabilities	335.383	408.039	3.539.649	1.834.652	395.009

Income Statement

PRIMARY ACCOUNTS	2013	2012	2011	2010	2009
Net Interest Income	13.582	33.315	58.877	21.665	15.827
Net Fee and Commission Revenues	1.744	9.205	26.126	15.162	9.846
Other Revenues (net)	3.775	3.989	5.439	4.693	2.810
Total of Operating Revenues	19.101	46.509	90.442	41.520	28.483
Other Operating Charges	-10.302	-14.955	-11.089	-7.856	-5.541
Provision for Credit and Other Receivables	-274	-50	-5.414	-587	-72
Profit Before Tax	8.525	31.504	73.939	33.077	22.870
Tax Provision	-1.566	-5.912	-15.410	-6.699	-4.594
Net Profit	6.959	25.592	58.529	26.378	18.276

Other Information

	2013	2012	2011	2010	2009
Total Number of Employees	50	57	55	51	51
Total Number of the Branches	3	3	3	3	3

7. Turkish Version of Annual Report of Bank Mellat Tehran – Iran



bank mellat
بانک ملت

Annual report 2012-13

In the name of God

Translation & design by:

IDEA  **BRANDING**

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Message from the CEO

■ A quick look at the 2012 world economy shows that the global financial crisis, which began 5 years ago, still continues. The effects of the ongoing crisis in the Euro zone, in particular, are raising unemployment rates, serious budget deficits and negative growth rates. As various economic blocks, are interconnected, the global economy experienced a slowdown of emerging markets for the first time, in such economies as India, China and Brazil.

In contrast, although Iranian economy had a 2% net GDP growth in 2012, the monetary economics sector was affected by the declining value of Iranian currency and faced a rising demand for liquidity in manufacturing and services sectors. To maintain the stability of the economic system, it was necessary to manage the situation and respond appropriately to the rising demand for liquidity. Thus, the liquidity of Iran's economy witnessed a 30% rise and reached a total of 4,697 billion Rials in 2012.

The situation in 2012 was mainly caused by the unilateral sanctions placed by the European Union against the banks. The sanctions directly affected the banking processes, costs, speed of transactions and financial resources, management of assets and liabilities; and, on the other hand, it indirectly affected customer satisfaction levels in the foreign currency sector, damaged imports and exports and more specifically, the bank's brand name on national and international levels. However, with unrivalled assistance from our devoted colleagues, and supports from our respected shareholders and in reliance on other competitive advantages, Bank Mellat could continue its efforts to maintain its administrative, integrity and was able to reach a unique position in the banking system in regards to resource improvements, expenditures, electronic banking, international banking etc. All this resulted in a 65.5% increase in the bank's capital and registration of 33100 billion Rials, while improving various ratios, such as the financial performance rate of 250 Rials earnings per share (EPS).

It is worth noting that this year, the programs related to management of bank's subsidiaries, are paying off and with the completion of related value chains, a great portion of earnings of the fiscal year will be provided by this source.

Finally, with gratitude to God, I hereby thank all my dedicated colleagues, respected shareholders and our confident and loyal customers who have made it possible for bank Mellat to achieve such immense milestones.

Ali Divandari



History of Bank Mellat

■ Bank Mellat was established by a merger of 10 smaller banks that had a total capital of 5.33 billion Rials, in accordance with the Article 17 of the Bank Governance Act of the Islamic Republic Parliament in October 1979.

According to the minutes of special session of the General Assembly of Banks on 6 April 2008 and the approval by the T68985 letter of the Cabinet on 24 July 2008, the bank legal status changed to Limited Liability Partnership (LLP) and was introduced to the “banking and other financial and monetary institutions ” section of Tehran Stock Exchange on 11 February 2008 as the first bank to go public and the 448th company approved and registered in the stock exchange.

According to the Article 6 of the bank’s charter, the bank’s capital has been raised from the initial 33 billion Rials to 33,100 billion Rials. This rise is a result of following factors:

- » A total of 571 billion from re- evaluation of static assets in 1992.
- » A total of 634 billion Rials from sales of special bonds in

accordance with the Article 93 of the Third Development Plan based on the minutes of special session of the General Assembly no. 396 on 11 March 2000.

- » A total of 1224 billion Rials from reserves and currency debts conversions according to the minutes of special session of the General Assembly number 470 on 13 March 2004.

- » A total of 10637 billion Rials from re-evaluation of fixed assets in 2004 according to Article 62 of the Third Development Plan in 2004.

- » A total of 2900 billion Rials from shareholders cash earnings according to the approval at special session of the General Assembly on 13 July 2010.

- » A total of 4000 billion Rials from accrued interest according to the approval at special session of the General Assembly on 29 January 2011.

- » A total of 13100 billion Rials from re-evaluation of static assets according to the approval of special session of the General Assembly on 24 September 2012.



Bank Strategies

CEO and Board of Directors



Dr. Ali Divandari



Ali Reza Legzaie



Mohsen Fadavi



Dr. Ali Khorsandian



Mohammad Reza Saroukhani

■ According to the agreements in the annual meeting of the General Assembly on 21 July 2011, the following members were elected as the Board of Directors. The Board of Directors, appointed Dr. Ali Divandari as the CEO of the bank.

Name	Position	Representative for	Duration of Term		Notes
			Start	End	
Dr. Ali Divandari	CEO & BOD	Private Sector	21 July 2011	21 July 2013	Bound
Mohammad Reza Saroukhani	Chairman of BOD	Khouzestan Province Investment Company	21 July 2011	21 July 2013	Bound
Dr. Ali Khorsandian	Vice Chairman of BOD	The Administration of the I.R. Iran	21 July 2011	21 July 2013	Non-Bound
Mohsen Fadavi	Member of BOC	Saba Tameen Investment Company	21 July 2011	21 July 2013	Bound
Ali Reza Legzaie	Member of BOC	Fars Province Investment Company	21 July 2011	21 July 2013	Bound

Organizational Chart





Comprehensive Banking

Comprehensive Banking

■ Comprehensive banking began as “**One Mellat**” project in Bank Mellat, as an agreement during a conference attended by senior executives and board members on 12 September 2012. to move from micro-banking to comprehensive banking. The project was initialized after preparation of administrative steps for a pilot, classification and prioritization of the customers, finalizing division of labor, the schedule, and definition and determination of work groups and their permanent members. The project has been under way and the directing committee has been meeting with senior executives and specialists on a weekly basis.

Currently, in addition to the training programs held by customer and sales workgroups for their employees,, members of the office for strategic management are training and providing information to the lower echelons of the organization regarding the project, through a “welfare training plan” which presents comprehensive banking on a broader scale to the bank’s employees nationwide.

Progress of the Project:

- » Categorization of customers groups
- » Designation and appointment of senior executives
- » Grouping Bank Mellat customers
- » Targeting revenues based on customer groupings
- » Establishing coordination between bank companies and customer groups and creating a common target
- » Preparation and formulation of a proposition for private banking
- » Mobilizing support units and piloting private and corporate banking
- » Organizing the operations management unit and separating operational segments of the treasury
- » Organizing sales management and customer relations departments and overall management of sales and branches across the country by the unit
- » Formulation of credit process in line with the new business model
- » Providing specialized and administrative human resources technical support based on the new business model
- » Developing new operational programs based on the new business model



Dedicated Banking

■ The current capacities and conditions of the bank within the monetary and investments market create potential opportunities that require appropriate strategies for development of diverse and novel ways of increasing bank earnings within the framework of comprehensive banking by conducting activities through Dedicated Banking.

The design and implementation of Bank Mellat's Dedicated Banking project will be completed in 3 phases: Phase 1, the Design Phase, which began in 2011 and was completed in 2012. Key objectives and projects of 2012 included completion of the design phase in line with the international standards, localization of the business model in accordance with the conditions of the country, and preparation for moving to the pilot phase.

The following are significant measures taken within the Dedicated Banking project in 2012:

1. Preparing, examining and finalizing 15 detailed reports on designs for Bank Mellat Dedicated Banking, definitions of Dedicated Banking business supervision, categorizing customers, delimitation of services and products, formulation of the training program, approval processes and service provision to the customers, methodology of establishing legal and commercial links between dedicated banking and bank's subdivisions. Costs in establishment and operation, revenue structure and Dedicated Banking costs, risk analysis, definition of goals, structures and approaches in investments management, legal definitions, IT requirements, formulation and description of the organizational structure, development of human resources and description of marketing and advertising strategies.
2. Forming a Dedicated Banking core team through attraction and selection of qualified individuals
3. Description of the administrative plan including pilot and commercial operation phases and business aspects in each phase.
4. Identifying opportunities and investment products.
5. Formulation of key job descriptions in Dedicated Banking.
6. Designing financial planning services such as:
 - » Finalizing forms and structures of financial planning services
 - » Finalizing evaluation structure for customers risk-taking level

» Designing customer investment policy manifesto

7. Designing structure of Mellat dedicated banking investment portfolios.
8. Design and management of virtual portfolios.
9. Revision of investment funds both qualitatively and quantitatively.
10. Development of products for replacement investment.



11. Drawing up contracts for investment management of dedicated banking customers and getting its acceptance from the general legal bureau.
12. Finalizing statement models for dedicated banking and formulating instructions for registration of financial events.
13. Alignment with comprehensive banking
14. Conducting and participating in seminars and specialized training courses and planning future courses.
15. Preparation of Business Vision documents for dedicated banking software system and submission to IT projects supervision committee of the bank.

Corporate Banking

1. Interviewing legal entity customers and key individuals in industries that might be profitable for the bank.
2. Interviewing with experts from general offices and bankers and managers of independent branches to identify project associates.
3. Equipping the temporary corporate banking office in assistance with independent branches managers.
4. Modification of facilities procedures for customers of pilot plan and selection of superior products offered by the bank or its subsidiaries to submit as initial proposals to customers.
5. Designing customer rating model and rating customers of the pilot plan.
6. Designing industry risk evaluation model to minimize credit portfolio risk.
7. Providing documents for project collaborators to study.
8. Categorizing course levels for project collaborators, offering Level 1 by the central training office.
9. Identifying collaborators for the plan within Mellat Stocks Investment Company and Maa Insurance Company and selecting best products for relations managers to introduce to the customers.
10. Designing the internal system of corporate banking to facilitate and accelerate internal interactions.
11. Designing an online banking system to facilitate and accelerate registration of orders and service requests by the customers.
12. Designing new products based on customer demands at meetings: Providing funds for major projects, employee service packages and company cards.
13. Providing a list of potential corporate banking Customers in a pyramidal shape divided by the industry and revenue level.
14. Specifying actual customers in the abovementioned pyramid and specifying means to increase the number of customers of the pilot plan on a monthly basis, in proportion to increases in number of relations managers and specialist project collaborators.
15. Identifying project collaborators in brokerage, deposit and currency exchange companies.
16. Placing a call on website of the main personnel affairs office to attract potential collaborators (165 CVs have been received. so far).
17. Accommodating relation managers in the office of corporate banking.
18. Accommodating services workgroup in the corporate banking temporary office.
19. Connecting brokerage, deposit and currency exchange companies to the plan.



Personal banking

■ One of the main shortcomings of customer management is that customers' added value and the profit they make for the bank are not taken into consideration. Currently, all bank customers receive the same services regardless of the value they create for the bank. This might make valuable customers displeased with bank. Therefore, and in order to provide services appropriate to each customer's

value, the bank decided to implement customer value based marketing and adapt services and products to demands of customer groups by using notions of comprehensive banking and customer-groups-based banking.

Aiming at a large group of individual customers and small businesses, personal

banking management was developed with the main goal of creative value-making interaction. The main focus throughout all activities has been on the customer, leading to establishment of new methods for personal banking. Thus, the bank is attempting to implement value-based marketing among the customers to provide services appropriate to customers and the value they create.

Following the importance of banking based on customer groups and adapting services and products to the demands of customer groups, personal banking management was developed to administer a large group of individual customers and small businesses. Establishing new methods for personal banking is the main goal, which focuses all activities on the customers and aligns the customer-bank relationship according to the value created for both parties.

To recognize the variety of customers and their different demands and needs, personal banking management decided to undertake extensive studies to identify the needs of individual customers and small

businesses, and to move toward the main goals of providing value-adding services appropriate to each customer, increasing profit, and value-making for the shareholders.

Thus, the customers of personal banking could be divided into four categories:

Personal Banking customers, who comprise of 22 million individuals and about 170,000 small businesses, making 60% of all bank's assets, reflect the true meaning of "Bank Mellat" [=People's Bank] in our glorious land.

Mahan Customers:

Individual wealthy customers with considerable accumulated capital. Interacting with this group brings the highest profits.

Shayan Customers:

Individuals with expertise and high-level income but inconsiderable accumulated capital. Interactions with this group creates accumulated capital for them and improves their life quality while, as a result, ensures reliable profit for the bank.

Pouyan Customers:

Individuals comprising the majority of bank customers, whose income potentials are much lower.

Small Businesses:

Legal/individual customers with relatively less potential, compared to customers of commercial and corporate banking. Their fewer and less complex demands can be accounted for with personal banking.

Personal Banking Management is determined to develop value packages based on demands, needs and lifestyles of each customer group in order to increase customer satisfaction levels and foster a breakthrough in Iranian banking industry.



Commercial banking



Commercial banking is one of the most important categories in the new banking model. The new banking model recommends distribution of Value Packages to benefit from their several critical roles and functions. They involve services and products provided for medium-sized, and sometimes large, businesses with considerable financial turnover.

Products and services of this category include establishment of credit lines; opening special deposit and credit accounts; e-banking; and services in stocks brokering, securities, foreign exchanges, leasing, insurance, and investment.

It should be noted that these products and services will constantly change according to the wide range of commercial banking customers.

Customer group for commercial banking presumes that their

business environment will be recognized by the bank and their demands are given high priority. The bank should provide for these demands in a quick, complete and high quality manner, by providing unique products and services, constant support, effective solutions, and specialized consultancy, and by following economic developments at home and abroad.

Bank Mellat's approach to this customer group is that of a commercial partner. Consequently, relying on advantages like offering products and services different from competitors, developing optimised operational processes, employing expert human resources, utilising new technologies, and adopting clever marketing and communication strategies, sustainable and increasing value will indeed be created for the customer and, subsequently, the bank.

Sales Management and Customer Communication



Sales, services and communications management is one of the key aspects of comprehensive banking. It leads areas, geographical regions and local markets. Face-to-face communication with the customer, sales and creation of value occurs within it. It consists of sales channels (physical channels especially) to offer products and services to the customer. In general, sales management distributes and sells products and services that customer groups (individual, exclusive, commercial and corporate) define, market and target.

In the comprehensive banking model, customer groups are responsible for the following:

- » Categorizing customers
- » Profiling customers
- » Defining propositions
- » Sales marketing and targeting

They focus on improving:

- » Income;
- » Share in customer's wallet and the market.

On the other hand, sales management in comprehensive banking model aims to perform:

- » Performance management of sales channels;
- » Value and communications management;
- » Customer experience delivery;
- » Development and training sales approach;
- » Customer mix optimization;
- » Sales efficiency and costs management, with a focus on customer's profit-making and goals of the customer mix.

Focusing on customer's value indicates that the sales staff have high inspirations. For instance, market development management usually tries to sell in those market sectors that include the highest number of Mahan customers. Thus, relations with the customers will be defined by their value; and targeting process for attraction and preservation of customers focuses on more valuable customers.

Each and every instance of sales and customer experience identified in the customer groups is realised in local markets through sales and communications management body. Therefore, obtaining value in local markets and succeeding as customer groups highly depends on how the sales management performs.



Bank Overview

Overview

Description	Bank			Group		
	2010	2011	2012	2010	2011	2012
A. Performance Information (million Rials)						
Operational Income	88/143/ 559	67 /869 /803	55 /999 /086	107 /139 /903	92 /852 /425	86 /834 /041
Operational Profit	30/083/754	28 /528/ 909	22 /841 /442	24/ 656 /408	29 /028 /807	23 /513 /252
Non-operational Income	13/136/563	5 /665 /696	3 /783 /579	13 /846 /082	6 /745 /437	3 /968 /151
Net Profit After Tax Reduction	14/706/064	7 /008/ 809	6 /589 /970	15 /159 /110	8 /067 /495	7 /079 /745
Annual Adjustments	(616/677)	(244 /259)	803 /002	(807 /028)	(489 /970)	740 /469
Cash Obtained by Operational Activities	13/664/558	27 /245 /213	11 /579 /110	26 /095 /662	39 /158 /369	12 /924 /389
B. Balance Sheet Information (million Rials)						
Assets	1/181/739/123	778 /513/ 362	671 /156 /264	1/183 /483/351	779 /542 /056	672 /760 /124
Debts	1/126/619/906	732 /669 /877	643 /604 /103	1/126 /921/092	732 /306 /073	643 /863 /632
Registered Capital	33/100/000	20 /000/000	16 /000/000	33 /100 /000	20 /000/000	16 /000/000
Minority Share	-	-	-	1 /025 /931	893 /259	678 /734
Shareholders Salaries	55/119/217	45 /843 /485	27 /552 /161	56 /562 /259	47 /235 /983	28 /896 /492
C. Return Rate (%)						
Assets Return Rate	1/36	0/97	1/2	1/47	1/15	1/3
Shareholders Salaries Return Rate	29/1	16/4	29/2	30/7	18/9	30/0
D. Stocks Information						
Shares during the trading session(million)	33/100	20 /000	16 /000	33 /100	20 /000	16 /000
First profit estimate per share (Rials)	224	350	231	224	350	231
Last profit estimate per share (Rials)	250	347	294	250	347	294
Actual profit per share (Rials)	444	350	412	466	403	441
Cash profit per share (Rials)	44 (Legal minimum)	270	80	44	270	80
Last price per share on the date of [present] report approval (Rials)	2/054	1 /561	2 /199	2 /504	1 /561	2 /199
Bookkeeping value per share (million Rials)	1/665	2 /324	1 /699	1 /709	2 /361	1 /739
Price to Actual Income ratio per share	4/6	4/46	6/28	4/4	3/87	6/28

Bank's Position among Commercial Banks

- » Ranked first in terms of resource attraction per personnel
- » Ranked first in terms of resource attraction per branch
- » Ranked first in terms of flowing interest free loan deposits
- » Ranked first in terms of Rial deposits per personnel
- » Ranked first in terms of Rial deposits per branch
- » Ranked first in terms of resource attraction and Rial deposits
- » Ranked second in terms of Rial deposits volume
- » Ranked second in terms of attracting long-term deposits
- » Ranked second in terms of short-term deposits balance
- » Ranked second in terms of expenditures
- » Ranked second in terms of letters of credit
- » Ranked second in terms of guarantees issued

Share in Total Rial Deposits of All Commercial Banks

Year	Bank Mellat	Other Commercial Banks	Total Deposits	The Bank's Share in the Total Deposits (%)
2011	436 /159	1 /469 /106	1 /905 /265	22/9
2012	545 /368	1 /952 /005	2 /497 /373	22/0

Share in Total National and Foreign Currencies Market of All Commercial Banks

Year	Bank Mellat	Other Banks	Total Deposits	The Bank's Share in the Total Deposits (%)
2011	571 /021	1 /742 /446	2 /313 /467	24/7
2012	725 /809	2 /243 /786	2 /969 /595	24/5

Share in Total Expenditures of All Commercial Banks

Year	Bank Mellat	Other Banks	Total Deposits	The Bank's Share in the Total Deposits (%)
2011	491 /072	1 /670 /008	2 /161 /080	22/7
2012	590 /996	1 /845 /138	2 /436 /134	24/3

Share in Total Human Resources Market of All Commercial Banks

Year	Bank Mellat	Other Banks	Total Deposits	The Bank's Share in the Total Deposits (%)
2011	23 /014	117 /291	140 /305	16/4
2012	22 /495	112 /961	135 /456	16/6

Comparison of Bank Mellat's performance of 2012 and that of the previous fiscal

- » 47% increase in total rial and foreign currency resources
- » Rial deposits grew by 25 percent
- » Foreign currencies resources grew by 147 percent
- » Foreign currency savings grew by 271 percent
- » Interest free savings resources (Rials) grew by 51 percent
- » Long-term deposits grew by 5 percent
- » Rial resources grew by 28 percent
- » Balance of national and foreign currency guarantees grew by 10.7 percent
- » Bank expenditures grew by 53.4 percent
- » Short-term deposits grew by 38 percent
- » Foreign currency saving accounts grew by 167 percent
- » Bank's assets grew more than 51.8 percent
- » Amount of shared income grew by 25 percent
- » Amount of non-shared income grew by 64 percent
- » Total income grew by 31 percent
- » Profit per share grew by 109 percent



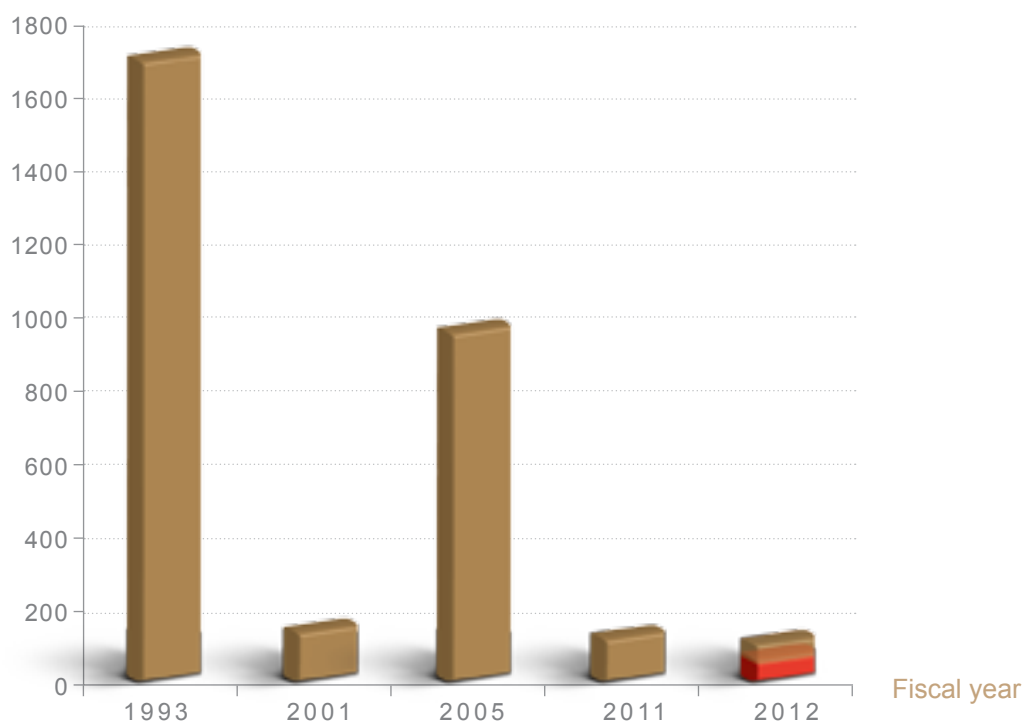
Changes in bank's capital

■ Fluctuations of bank's capital from establishment till the end of last reported fiscal year

Capital Increase Date	Capital Increase (%)	Capital (million Rials)	Capital Increase (million Rials)	Capital after Increase (million Rials)	Source of Capital Increase
31 /Aug / 1993	1606	33 /500	571 /500	605 /000	Renewed permanent assets assessment
1 /Sep/ 2001	104 /8	605 /000	634 /000	1 /239 /000	Bonds sold according to Article 93 of The 3rd Development Plan
10 /Aug/ 2005	957	1 /239 /000	11 /861 /000	13 /100 /000	Renewed permanent and deposited assets and conversion of foreign currency assets and debts
26 /Apr/ 2011	22	13 /100 /000	2 /900 /000	16 /000 /000	Cash made by shareholders
24 /Jun/ 2012	25	16 /000 /000	4 /000 /000	20 /000 /000	Accumulated Profit
14 /Oct/ 2012	65	20 /000 /000	13 /100 /000	33 /100 /000	Renewed permanent assets assessment

Capital Increase by Percent

Capital



Bank's Shares Price Trend in Tehran Stocks Exchange

Stocks Exchanges and Prices

■ Following table shows the bank's shares bearing WebMellat Sign in Tehran Stock Exchange, within Banks, Financial Institutions and Other Monetary Organizations group, since 10 February 2009.

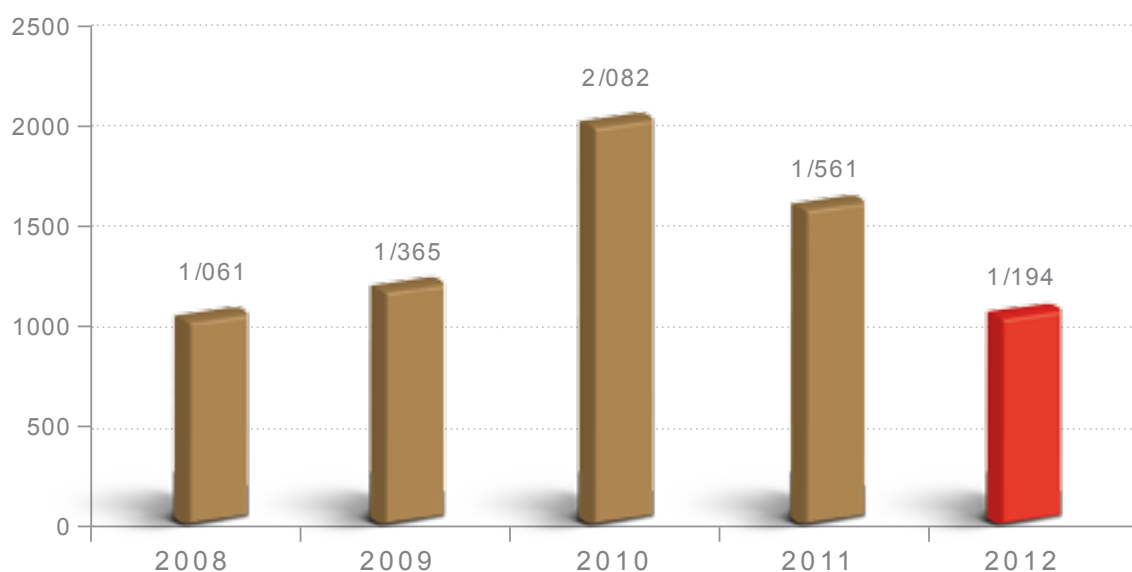
Fiscal Year Ending in	Traded Shares	Traded Shares Value (million Rials)	Sign Open Days	Market Value (million Rials)	End of the Year Share Value (Rials)	Capital (million Rials)
19 /Mar/ 2009	767 /109 /765	806 /208	19	13 /899 /100	1 /061	13 /100 /000
20 /Mar/ 2010	12 /688 /046 /721	12 /795 /624	231	17 /881 /500	1 /365	13 /100 /000
20 /Mar/ 2011	4 /841 /923 /339	3 /830 /556	225	33 /312 /000	2 /082	16 /000 /000
19 /Mar/ 2012	1 /923 /293 /338	4 /057 /988	228	31 /220 /000	1 /561	20 /000 /000
20 /Mar/ 2013	3 /006 /693 /298	3 /540 /033	215	39 /521 /400	1 /194	33 /100 /000

Total days of ticker operation and trade

Description	2012	2011
Sign Open Days	215	228
Trade Days	215	228

Source: Tehran Stock Exchange official website

Share Prices (Rials)



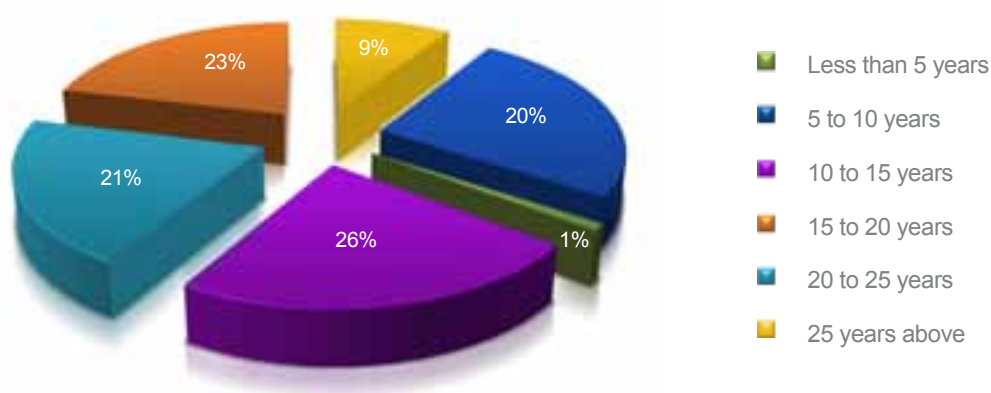
Human Resources

■ Realization of the goals of an organization depends on the ability of its staff to perform tasks and adapt to changing environments. Training and improving the human resources will enable the organizations to adjust their activities to changes while increasing their effectiveness and efficiency.

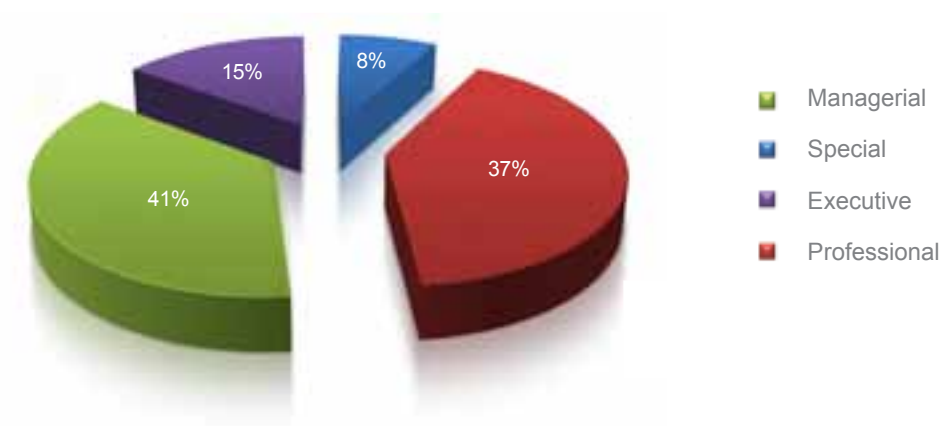
Accordingly, as a leading business enterprise, the bank consistently prioritizes staff improvement above all. As human resources are so vital in banking industry that it is impossible to maintain the bank's current position without using such a rare asset and bolstering a cooperative spirit amongst the employees, the bank capitalizes on human resources more than ever. Current human resources are 22,495 persons:

PhD	Masters	Bachelors	Associate	High school	Under-High School	Total
10	806	8569	1965	10138	1007	22495

Staff by Years in Work as of 2012 (%)

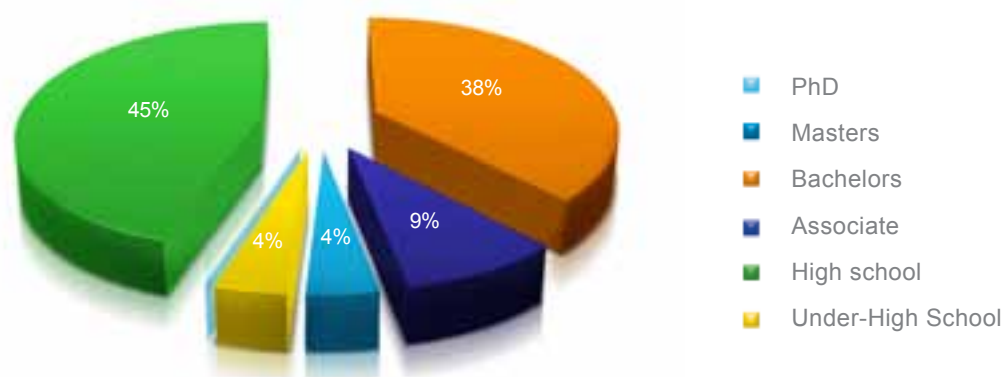


Human Resources by Activity as of 2012 (%)

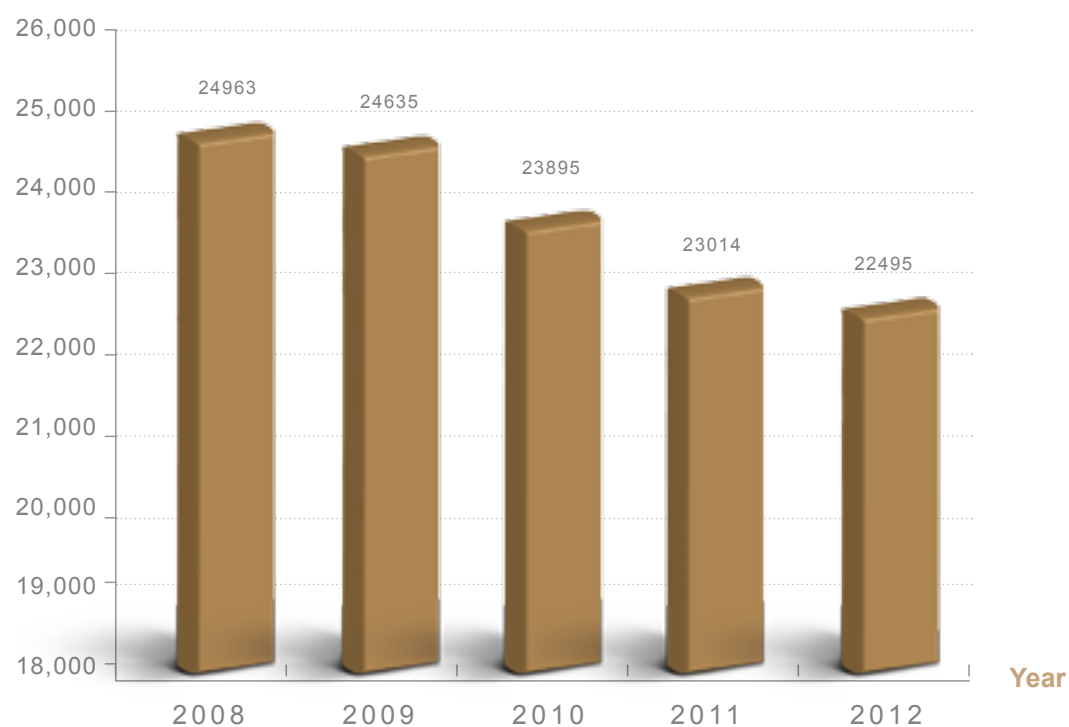


Human Resources

Staff by Years in Work as of 2012 (%)

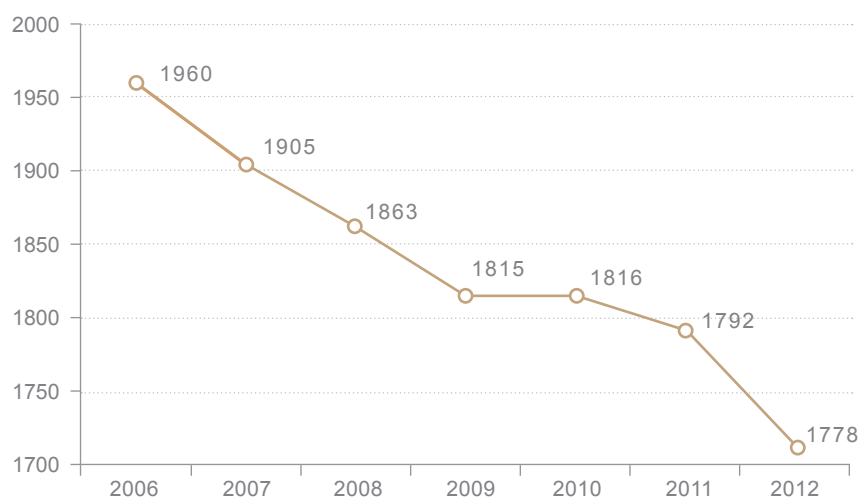


Staff Size 2008-2012



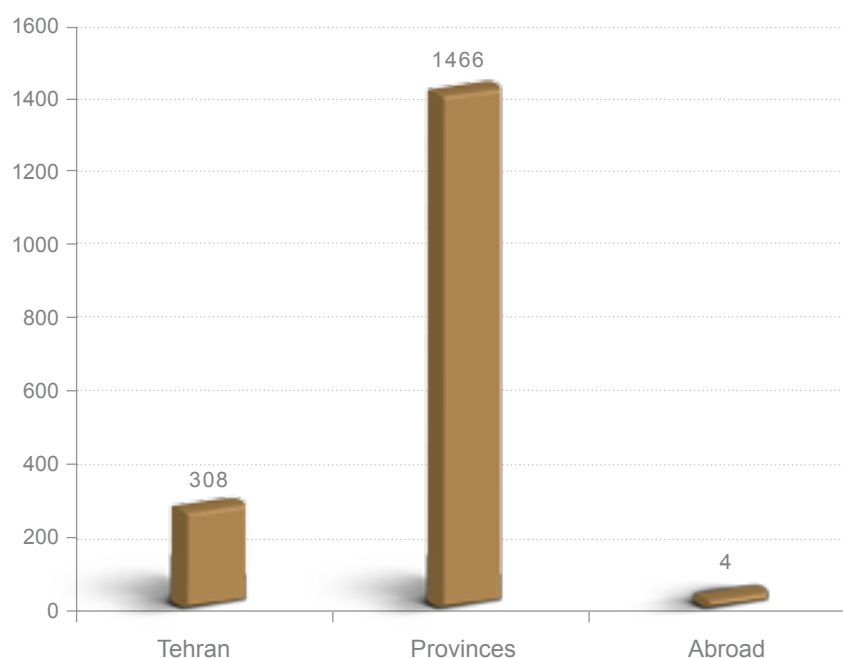
Combination and Number of National and International Branches

Number of Branches 2006-2012



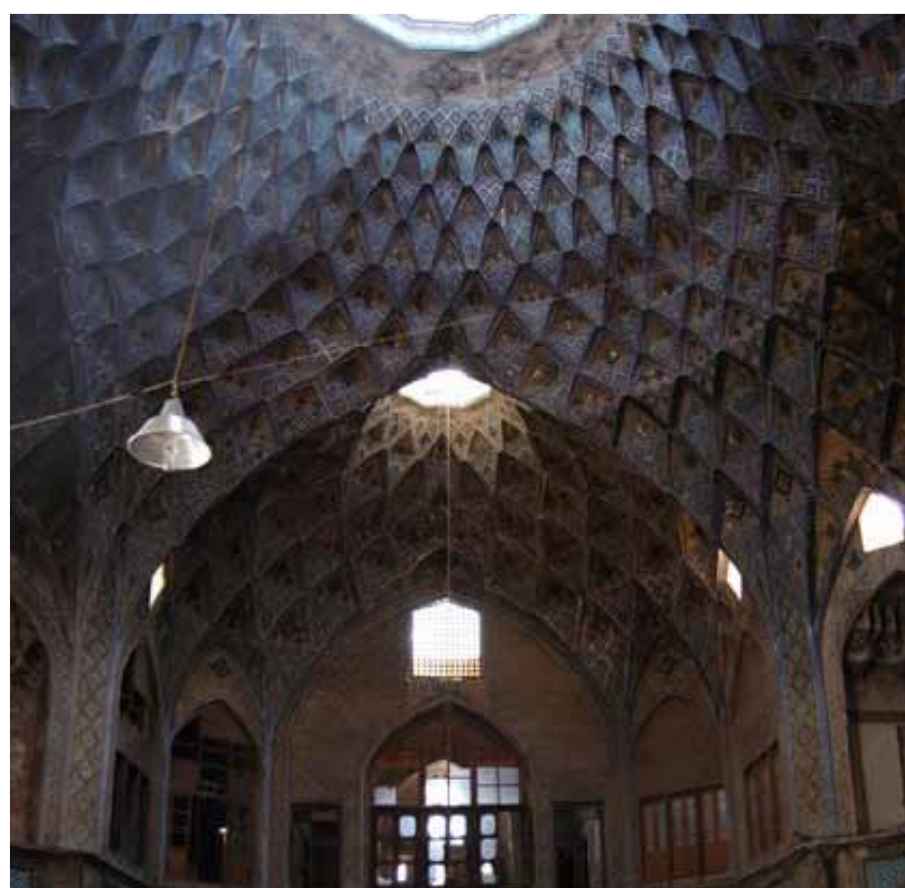
Year	Branches
2006	1960
2007	1905
2008	1863
2009	1815
2010	1816
2011	1792
2012	1778

Number of Branches in Tehran, Provinces and Abroad as of March 2013



Region	Branches
Tehran	308
Provinces	1466
Abroad	4
Total	1778

Number of Branches in Tehran, Provinces and Abroad as of May 2013



Honors and Achievements

Bank's Awards in 2012

Ranked 1st Bank among 100 top Organizations

■ In 2012, Industrial Management Organization ranked Bank Mellat number one among Iranian banks and number five among top organizations.

The Best Bank in Implementing Internal Control System

■ The 22nd Annual Monetary Policy Conference selected Bank Mellat as the most successful in implementing the internal control system. Dr Ali Divandari, the bank's chairman, received the prize from Central Bank's chairperson.

Anti-Fraud Sign

■ The annual Fraud and Financial Abuses Prevention Conference awarded Bank Mellat the Anti-Fraud Sign. Secretary of the conference acknowledged the consistent and effective attempts of the bank in fighting fraud. The conference is held annually and focuses on banking without usury (reba).

The Leading Bank in E-banking

■ The bank won the first place in e-banking during the second Banks and Financial Institutions Expert Exhibition (IranBank). The exhibition, held in Mazandaran province, selected Bank Mellat as the leading bank in bolstering e-banking, as well as, having the best customers club, as the most effective instrument of creating an e-banking culture.



Bank's Achievements in 2012

Increase in Capital Market Rank

- Bank Mellat held the 13th place among 50 organizations active in stock exchanges in June 2013.

The Top Bank by the Four Main Indicators of Capital Market

- According to Stock Exchange Organization, Bank Mellat is the top Iranian bank in terms of the four main indicators (share liquidity, sales, assets, and added value).

Sanctions Removal

- An important high-point for the bank in 2012 was the removal of sanctions against the bank (after two and a half years) and EU's obligation to reimburse the losses.

Information Security Management System License

- Bank Mellat is the first Iranian bank to receive Information Security Management System license (ISMS) and ISO

27001:2005 license in e-banking.

ISMS features the ability to design, implement, monitor and improve security levels for IT services in line with strategic and operational goals of the organization.

Software Technical Confirmation License

- Core Banking System was technically confirmed with No. 204991 by the secretariat of Iranian IT High Council, the top-most government body in ITC fields and under direct supervision of Planning and Strategic Monitoring Deputy of the president. The bank owns the system, which was designed to enable real-time online management of all banking activities and execution of financial and banking information tasks electronically based on a centralized database.

Unlike older systems that were branch-centered, Core Banking is customer-centered. Bank Mellat is the only major bank in the country to have a locally-developed central banking system (with a complete copyright ownership).

Currently, more than 78 percent of interactions with the bank are done electronically and outside the branch.



Mellat Foundation

Performing Social Responsibilities of Bank Mellat by Establishing the Mellat Foundation

■ Creating “social value” is what social responsibilities aspire to do. There exists a clear relationships between creating social values and creating market values; evidence of which can be seen in competition advantages brought about by fulfilling social responsibilities. Today, social responsibilities are inevitable priorities for leaders of enterprises; both for the sustainable advantages resulting from answering to them, and for the link it creates between the enterprise and the society.

In recent years and given the emerging economic atmosphere, leaders and managers of banks are seeking new models for combining social values and market values. “Sustainable banking” is a management model for a banking business emphasizing social values as well as market values. Sustainability is now at the heart of all emerging economies. The same goes for banking industry where sustainability means both more responsibility toward the society and the environment, and a new approach for enterprise managers toward business opportunities. Now, it is clear that non-financial incentives create financial values. Mellat Socio-Cultural Foundation was established for Bank Mellat to realize sustainable banking and to fulfil social responsibilities.

Establishment of Mellat Foundation indicates the importance of such activities for the bank, while creating a fertile ground for systematic activities in the area of social responsibilities. The Foundation’s activities include training, environment, science and technology, health, culture and arts, cultural and natural heritage, and sustainable development.

1. Culture and Arts

Mellat Foundation holds ceremonies and memorials for cultural greats of the country to introduce cultural characters to the society and help in preserving cultural resources of the country. So far, ceremonies have been held for Aydin Aghdashloo, Bah-o-Din Khoramshahi, Fakhr-e-din Fakhr-e-Dini, Abdol Hussein Zarinkoub, Hussein Mahjoubi, Husseinali Matin Reza, Mehdi Mohaqeq, Mazaher Mosafa, Iraj Afshar and Parviz Marzban. Another group of activities are the memorial ceremonies held for foreign scholars. These are held in collaboration with their respective embassies to create and strengthen cultural bonds between Iran and other cultures. Examples from this group of activities include ceremonies for Friedrich Ruckert, Professor D’Erme, von Hammer-Purgstall, Bert Fagner, Julius von Mohl, and Rabindranath Tagore.

Another cultural activity of the foundation is promotion of the Persian language. These activities include publication, development and delivery of books and journals. The foundation has obtained certain volumes of Bokhara magazine and has distributed them to international Persian language scholars and libraries. A number of books by noteworthy Iranian authors have been provided to people interested.

2. Peace

Mellat Foundation treats peace as an important domain of activity in the social world of today. It was for this purpose that a conference on Peace and International Relations (An Islamic-Iranian Viewpoint) was held in collaboration with International Relations Society of Iran in the last year.

3. Cultural and Natural Heritage

Cultural, natural and intangible heritage of any nation is an important asset for that country. The Foundation highlights national and religious rites, traditions, and culture of the country to preserve and promote them as intangible heritage. So, the foundation establishes Bank Mellat Cooperative and Trust Fund in UNESCO to centralise such activities and create links with other related international organizations.

Mellat Foundation



Additionally, to support Taziah as a UNESCO-registered intangible heritage, Mellat Foundation held three nights of Taziah on Safar (January) 2013, in collaboration with UNESCO, Arts Deputy of the Culture Ministry, and Niavaran Culture-House.

4. Environment and Education

Environment Preservation Education (HAM) is a national plan for familiarization of students with environmental challenges and problems. The first phase of the plan covered 27,000 girls and boys in secondary schools and in seven districts of Khorasan Razavi province. The next phase will cover even more students across the country.

5. Sustainable Development

Given the importance of sustainable development and its intrinsic links with banking and sustainable business, Mellat Foundation has proposed a UNESCO-Mellat award in sustainable development to add to its earlier efforts. Such a collaboration with UNESCO will create an arena for scientific competition amongst national and international role-players of the field. Regarding the sustainable development, Mellat Foundation aims to realize social banking in Iran and benefit from global experiences. Thus, a social banking conference is agreed to be held in collaboration with the World Bank, Iranian Central Bank and other [related] social and economic organizations. Such a conference enables international knowledge and experience exchange and creates a communication network of scholars, international bodies and foreign banks.

In the same line with social banking activities, Mellat Foundation is looking to join International Finance Corporation (IFC) and implement “equator” principles to fit in the existing global standards of social banking.

Achivements in e-Banking

Row	Title	Year Ending in 2012	Year Ending in 2011	Growth (%)	Market Share	National Ranking
1	Total Bank Customers	23,323,221	20,445,942	14/1	-	-
2	Total Accounts	35,110,415	31,705,476	10,7	-	-
3	Total 24/7 Branches	61	54	12,9	-	-
4	Total Sales Terminals	522,648	339,100	54,1	20%	1
5	Total POS Transactions	460,395,601	271,284,386	69,7	27%	1
6	POS Transactions (billion Rials)	2,106,713,848	994,591,028	111,8	47%	1
7	Total Payment Cards (withdrawal cards)	23,290,836	16,706,597	39,4	15%	2
8	Total Credit Cards	131,745	32,480	305,6	6%	4
9	Total Prepaid Cards (bonus and gift cards)	16,675,960	13,420,552	24,3	24%	1
10	HamrahBank Customers	1,700,000	434,864	290/9	-	-
11	E-Banking Customers	2,576,973	1,360,987	89/3	-	-
12	Phone Banking Customers	2,086,837	1,812,415	15/1	-	-

Achievements in e-Banking

E-Banking Customers by Platform in 2012

Month	Internet	SMS	Phone Banking	HamrahBank
March	414,521	1,501	190,295	257,283
April	406,827	1,299	170,649	268,890
May	422,538	1,401	186,866	283,504
June	443,588	1,312	180,160	292,257
July	464,057	1,391	195,758	305,774
August	486,150	1,236	181,746	314,945
September	521,282	1,336	207,468	330,947
October	558,218	1,212	198,083	344,031
November	588,828	1,333	223,175	366,921
December	616,395	1,209	208,876	386,484
January	672,384	1,352	241,350	410,796

Achievements in e-Banking

Transactions through ATMs and Stores POSs by Quantity and Value, 2012

Machine	ATM		Store POS	
Month	Total Transactions	Transactions Value	Total Transactions	Transactions Value
March	31,533,232	29,025,133,628,026	32,735,404	110,567,870,749,333
April	35,612,340	35,153,156,528,275	39,508,725	160,657,266,042,080
May	34,143,697	36,720,414,775,325	44,544,471	182,788,571,038,224
June	38,674,357	45,202,595,253,646	48,148,934	213,221,803,773,272
July	73,687,620	78,687,590,146,638	49,915,303	245,229,492,479,564
August	69,659,870	86,424,175,203,347	57,244,986	290,809,971,681,946
September	36,720,642	47,413,850,326,772	61,364,162	397,104,402,268,239
October	36,158,712	46,479,287,817,030	64,446,156	332,153,809,295,273
November	33,331,643	42,704,731,667,142	62,487,460	174,180,661,393,959
December	34,873,430	47,219,781,704,301	65,565,013	170,282,377,640,760
January	39,084,224	56,920,636,158,412	73,365,442	232,927,439,986,346
February	42,796,873	71,943,196,669,555	99,544,011	253,747,335,063,120



Achievements in e-Banking

- » Comprehensive development of e-payments including payment cards, ATMs, internet, cell phones, and store POSs
- » Introduction of instant issuance machines in support centers
- » Store POSs connected to SHAPARAK for the first time
- » Prepared for migration to the new e-payments switch
- » Improved quality and quantity of Mellat Credit Cards
- » Improved security in e-banking system through one-time password service
- » Developed an internet system for entities/individuals to apply for internet payment gateways
- » Developments in banks' and POSs' network infrastructure via Transaction Services Secure Infrastructure Company

Service	By 2012	By 2011
ATM	3 /224	3 /117
POS	575 /917	339 /100
Withdrawal Cards	23 /290 /836	18 /437 /726
Credit Cards	114 /220	37 /394
E-Money Cards (Fuel Wallet)	1 /546 /888	704 /582
Gift Cards Sold	10 /536 /666	
Bonus Cards	6 /139 /294	

Account Type	Number by 2012
Checking Interest Free Account	3 /687 /822
Interest Free Savings Account	17 /160 /685
Short-term Savings Account	10 /619/ 054
Long-term Savings Account	4 /904 /050
Centralized Foreign Exchange Accounts	53 /821
Non-centralized Foreign Exchange Accounts	5 /632





Bank Departments Performance

Collaboration in Large Scale National Projects

Row	Client/Plan	Subject	Manager of the Branches inside the Plan Province
1	Fallat Qareh Oil Company	Issuing Bonds	Independent Central Branch
2	Fajr Petrochemicals Company	Petrochemicals Plan (Mehr Mandegar)	Independent Central Branch
3	Iran Oil Products Exports Development Fund	Establishment of Merchandise Terminal	Manager for Tehran District 6 Branches
4	Pars Oil & Gas	Bonds Issuing Agent – Phase 1 2012	Independent Central Branch
5	Pars Oil & Gas	Bonds Issuing Agent – Phase 2 2012	Independent Central Branch
6	South Oil-Producing Regions National	Expansion Wells Drilling Plan	Manager for Khuzestan Province Branches
7	Anahita Oil Refinement	Oil Refinery Plan (syndicate)	Manager for Kermanshah Province Branches
8	Kavian Petrochemicals	Establishment of Ethylene Production [Line] (Mehr Mandegar Plan)	Manager for Tehran District 1 Branches
9	Morvarid Petrochemicals	Mono-ethylene Glycol Production Development Plan	Manager for Boushehr Province Branches
10	Golestan Petrochemicals	Urea and Ammonia Production	Manager for Golestan Province Branches (syndicate acting as Bank Mellat)
11	Iran Central Regions Oil Company	Issuance of Security Bonds	Independent Central Branch
12	Imam Port Petrochemicals	Establishment of Polyethylene Production [Line] (Mehr Mandegar Plan)	Manager for Tehran District 5 Branches
13	Kermanshah Polymer	Provision of Working Capital for Petrochemical Plans – Mehr Mandegar	Manager for Tehran District 1 Branches
14	Eram Teb Iranian and Associates	Hotel-Hospital	Manager for Tehran District 5 Branches



Project of Research and Development Centre

Row	Report Title
1	Adapting foreign banks' corporate banking services
2	Optimised distribution channels for corporate banking services
3	Improvements in key delivery processes of corporate banking services
4	Development of corporate banking organizational structure
5	Project-centred financial provision
6	Considering cement, ICT, petrochemicals, edible products industries, etc., with a focus on added value for the customers
7	Corporate employees services package and suggestions for Corporate Card
8	Report explicating comprehensive banking workgroups
9	Scanning banks for new credit services and products, with a focus on target markets
10	Comparative studies about new services in credit cards, mobile banking, ATMs, POSs, e-banking, Phone Banking, facilities and deposits
11	Determining position, image and character of Bank Mellat, from customers' viewpoint, in comparison to competing banks
12	Determining accessibility of communication goals in TV adverts, from customers' viewpoint
13	Report on adaptation from foreign banks in terms of products and disaggregation of personal banking customers
14	Needs Assessment for top customers of personal banking
15	GIS data analysis for customer groups
16	Developing and offering new methods for retirement insurance
17	Offering a conceptual model for Shared Foreign Exchange Investment Fund
18	Pathology and reformation of the bank's welfare funds structure
19	Conceptualization and development of a model for issuance of insured securities
20	Comparative studies on the best foreign banks in terms of new services and products in investment provision
21	Performance assessment of branches using coverage data analysis, with a focus on operational plan indicators
22	Considering economic potentials in Industrial Commercial Free Zones and Special Economic Zones, to assess bank's performance in them
23	Iranian Economy in 2021 and Iran's market situation compared to rest of the world
24	Iranian Economic Vision in 2013
25	Development of desired processes for creation management and development of banking products highlighting the product owner
26	Identification and categorisation of key factors in queue performance
27	Developing a comprehensive financing system for energy projects
28	Support report on the bank's operational plan disaggregated by areas
29	Profit report on the bank's branches disaggregated by branch managers and in three months' time-frame
30	Changes in targeting system for operational plan indicators, according to potentials and capacities of each region
31	Development of headquarters operational plan system



Bank/Group Financial and Operational Performance

Bank and Group Financial Performance

Description	Bank			Group		
	2011	2012	Growth Rate (%)	2011	2012	Growth Rate (%)
1. Losses and Profits including:						
A. Main incomes						
Shared income	62 /127 /768	49 /626 /599	25	82 /238 /306	74 /481 /202	10
Non-Shared income	39 /152 /356	23 /908 /900	23	38 /747 /679	25 /116 /660	16
B. Expenditures						
Administrative, general and actuary costs	20 /142 /330	20 /955 /892	(4)	19 /878 /572	20 /995 /971	(5)
Costs of paying interests (and final costs of goods and services sold by the group)	46 /710 /610	32 /021 /551	45	65 /863 /569	56 /504 /276	16
Doubtful claims costs	11 /389 /195	7 /319 /343	0 /04	11 /398 /486	7 /319 /343	0 /04
Other costs	869 /167	703 /427	23	869 /167	703 /545	23
C. Financial costs	6 /117 /852	5 /006 /680	22	5 /600 /460	5 /133 /916	0 /09
D. Profit before Taxes	16 /050 /972	7 /528 /606	113	17 /375 /732	8 /940 /812	94
E. Net profit	14 /706 /064	7 /008 /809	110	15 /159 /110	8 /067 /495	114
2. Investment Fluctuations						
A. Static assets fluctuations	4 /349 /174	14 /925 /707	(71)	5 /521 /950	15 /493 /538	(64)
B. Fluctuations in clerical value of total investments in stocks of other companies	(561 /239)	15 /335 /421	(104)	7 /054 /530	13 /524 /700	(48)
C. Other assets fluctuations	33 /211 /028	776 /879	4175	28 /990 /381	3 /894 /344	644
D. Bank's generative assets fluctuations	259 /262 /135	82 /645 /754	214	261 /928 /979	78 /741 /672	233
3. Fluctuations in Capital Structure						
A. Shareholders' salaries fluctuations	9 /275 /732	18 /291 /324	(49)	9 /326 /276	18 /339 /491	(49)
B. Long-term debts fluctuations	393 /950 /029	89 /065 /774	342	394 /615 /019	88 /442 /441	346



The Bank's Financial Ratios

Title	Description	2012	2011	2010
A. Activity Ratios				
Bank's share in resources of major commercial banks	<u>Bank Mellat resources</u> Resources of major commercial banks	24 /4	24 /7	25 /1
Net facilities to deposited resources (Rial)	<u>Net facilities</u> Deposited resources	74 /1	78 /2	93 /2
Accruals to net facilities (Rial)	<u>Expired, late and doubtful claims</u> Net facilities	19 /0	19 /6	20 /2
Deposits growth rate	<u>Last year deposits – Current year deposits</u> Last year deposits	24 /1	16 /3	28 /6
Offered facilities growth rate	<u>Last year deposits – Current year deposits</u> Last year facilities	17 /4	7 /7	26 /5
Ownership ratio	<u>Shareholders salaries</u> Total assets	4 /7	5 /9	4 /1
B. Cash Ratios				
Minimum cash supply ratio	<u>Fund + almost Rial cash</u> Resources subject to legal deposits	2 /0	1 /4	1 /4
Profit liquidity ratio	<u>Cash flow from operations</u> Net profit	0 /9	3 /9	1 /8
Resources per branch (billion Rials)	<u>Total resources</u> Number of branches	48.158	31.261	26.678
Deposits per staff (billion Rials)	<u>Four deposits</u> Staff size	3.362	2.240	1.891
C. Profit-making Ratios				
Costs to income	<u>Operational costs</u> Operational incomes	34 /2	67 /3	67 /9
Shareholders salaries return	<u>Gross profit</u> Shareholders salaries	29 /1	16 /4	29 /2
Assets return	<u>Gross profit</u> Total assets	1 /36	0 / 97	1 /2
Net profit growth rate	<u>Last year net profit – Current year profit</u> Last year net profit	109 /8	6 /4	76 /4
Share of service fees in total income	<u>Service fees</u> Total income	9 /6	15 /8	8 /0
D. Stocks Ratios				
Earnings per Share	<u>Net earnings</u> Total shares number	444	212	199
Dividend per Share	<u>Dividend</u> Total shares number	44	270	80



Group's Financial Ratios

Title	Description	2012	2011	2010
A. Activity Ratios				
Bank's share in resources of major commercial banks	<u>Bank Mellat resources</u> Resources of major commercial banks	24 /4	24 /7	25 /1
Net facilities to deposited resources (Rial)	<u>Net facilities</u> Deposited resources	72 /4	77 /2	84 /1
Accruals to net facilities (Rial)	<u>Expired, late and doubtful claims</u> Net facilities	19 /5	19 /9	20 /4
Deposits growth rate	<u>Last year deposits – Current year deposits</u> Last year deposits	24	16 /6	27 /2
Offered facilities growth rate	<u>Last year deposits – Current year deposits</u> Last year facilities	16 /3	7 /0	25 /4
Ownership ratio	<u>Shareholders salaries</u> Total assets	4 /8	6 /1	4 /3
B. Cash Ratios				
Minimum cash supply ratio	<u>Fund + almost Rial cash</u> Resources subject to legal deposits	1 /5	1 /4	1 /5
Profit liquidity ratio	<u>Cash flow from operations</u> Net profit	172 /1	4 /9	2 /4
Resources per branch (billion Rials)	<u>Total resources</u> Number of branches	48.158	31.261	26.571
Deposits per staff (billion Rials)	<u>Four deposits</u> Staff size	2.735	1.879	1.539
C. Profit-making Ratios				
Costs to income	<u>Operational costs</u> Operational incomes	72 /1	68 /7	72 /9
Shareholders salaries return	<u>Gross profit</u> Shareholders salaries	30 /7	18 /9	30 /7
Assets return	<u>Gross profit</u> Total assets	1 /47	1 /15	1 /29
Net profit growth rate	<u>Last year net profit – Current year profit</u> Last year net profit	87 /9	14 /0	93 /1
Share of service fees in total income	<u>Service fees</u> Total income	9 /5	15 /3	5 /3
D. Stocks Ratios				
Earnings per Share	<u>Net earnings</u> Total shares number	466	403	412



Corporate Governance

■ The board of directors have established the following structures in the bank to implement corporate leadership system, in turn, to increase effectiveness and efficiency of their tasks in terms of responsibility, objective achievement, transparency, reliability, monitoring, legitimacy, and resource protection risk management and economic utilization.

1. Audit Committee
2. Risk High Committee
3. Internal Audit Management
4. Risk Management

A. Audit Committee Performance

■ Audit committee was formed after the board of directors enactment of its statute in 23 July 2008. The statute explains goals, structure, configuration, responsibilities, and meeting procedure. Major goals and responsibilities of the audit committee include monitoring the financial reporting process and verification of audits, establishment of internal controls system, establishment and maintaining internal audit activities, maintaining professional competence, and auditor's impartiality.

Members of the audit committee include head of the board of directors for Bank Mellat (as chairperson of the committee), an expert from the bank, two accountants, an external expert with a Ph.D. in accounting, and internal head auditor (as member and secretary of the committee).

The audit committee held 40 meetings in 2012 and their measures include:

1. Review of financial and audit reports including final or mid-point financial statements, budget estimates and budget performance, receivables from the administration, taxes, and management letters
2. Review of internal audit reports for offices of welfare and internal payments, treasury and exchanges, foreign affairs, foreign exchange; organization and improvement of special and occasional auditing procedures and reports
3. Review and resolving of disagreements between managers and independent auditor during the fiscal year and before the final report
4. Review of internal audit management annual report
5. Considering ways to clear open items in accounts of provisional internal debtors and creditors; control and follow-up methods
6. Considering how to establish budgeting; review of Bank Mellat Budgeting and Budget Control Systems development agreement
7. Considering how to integrate financial, operational and information systems of the bank
8. Considering retirement fund requirements, employing actuary experts, and potential doubtful claims reserve
9. Assistance in establishing and equipping the IT internal audit; review of proposals; and final equipment agreement
10. Review of periodic follow-up reports on internal auditor's suggestions
11. Enforcement of reporting requirements in various departments of the bank

Corporate Governance

B. Internal Audit Management Performance

1. During 2012, ten high-risk bank headquarters and operational flows were internally audited using nearly 3297 person-days. The audit found 771 problems in related fields and made 1340 suggestions to solve problems, improve internal control structure and increase efficiency.
2. Monthly checks to follow-up auditor's suggestions in audited units, reporting to the managers of that unit and audit committee
3. IT Audit Deputy was equipped in collaboration with Padid Pardaz Pardis Co., according to the agreement in place
4. Special audit missions ordered by the audit committee, deputies' council, and the directors' board, using 750 person-days. Missions included bonds processes; manuals for bonuses at managers' disposal; bartering receivables from Tehran Municipality for the facilities they had received; retirement fund; reports on foreign exchange resources and expenditures, and submission to foreign exchange committee in order to follow the Central Bank's inspection clauses; and, review of financial statements from Pars Investment Fund
5. Review of audit draft, management letter draft and other drafts before submission to the audit committee
6. Consultation with different departments of the bank regarding their operational activities
7. Report on facilities and commitments of related individuals and subsequent submission to the Central Bank



Value of at Risk Facilities

Risk Management Structure in Bank Mellat

■ Bank Mellat believes in the principle that survival of any economic enterprise depends on its competence in and ability to predict and arrange changes, rather than waiting for changes and planning accordingly. This entails a broader vision in risk management for having a sustainable growth in the economic enterprise. Risk management in Bank Mellat is structurally independent and centralised. It considers and reports all risks related to markets, credit, operations, adaptation and finance.

Risk Management High Committee

■ Risk management high committee of Bank Mellat is an expert independent committee formed by the bank's directors board to monitor the effective management of risks faced by the bank. It operates within the authority, rules, policies and tasks defined by the directors board. The committee consists of the head of directors board, two executive deputies, bank's risk manager and four prominent academic teachers and/or external experts. In line with policies and strategies for managing associated risks, the committee benefits from expert comments and analyses of "Risk Management Technical Committee". Risk Management High Committee held 18 meetings and agreed on 65 enactments in 2012.

Risk Management Unit Performance

■ In Bank Mellat, risk management includes management of risks involved in credit, adaptation, finance, operations and market, based on BAL committee standards and guidelines, in order to maximize efficiency of capital utilisation and assets value. To identify and assess potential risks within financial structures of the bank, Bank Mellat continuously monitors factors like risks of

increasing final cost of money, bank profit quality, cash gap, and risk of items in foreign currencies. Given the importance of final cost of money in policy-making for deposit rates and budget allocation, it is calculated both at the bank level and branch levels. Risk analysis for profit quality and regular monitoring of profits and cash flows are other effective measures of risk management, which are performed by the bank deputies' council for purposes of ensuring better cash profit sustainability and profit quality. Additionally, CMLZ ratios are considered once in three months to improve capital competence risks, assets quality, profit-making, cash reserves and the market. In the light of predictions about macroeconomic variables and their effects on the bank's performance, a significant part of credit and investment policies are developed according to market risk assessments. Adaptation risk management unit of Bank Mellat has undertaken activities such as continuous monitoring of facilities and meta-commitments (single beneficiary), facilities offered to related individuals, capital competence, investments limit, static assets maintenance limit, foreign exchange market, shares ownership personal limit, as well as, assessing the risks involved in adapting all instructions, rules and regulations from external monitoring bodies.

Appointments Committee was established within the management boards of the bank to respond to critical risks emerging in the event of manager resignation, lack of trained substitutes, or human resource management not being aligned with strategic plans of the organization.

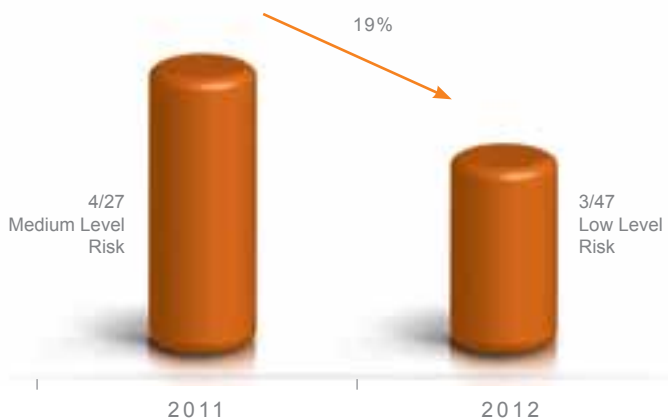
Liquidity Risk Management

■ Through correct management of cash liquidity risks, Bank Mellat was able to optimise cash resources and make benefit from profit-making opportunities.

Credit Risk Coverage

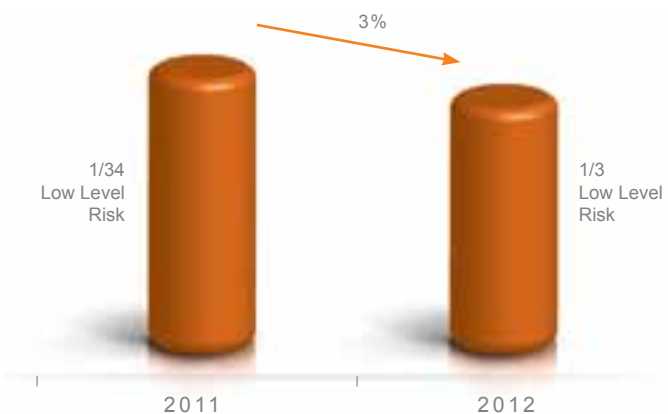
Initial Liquidity Risk

■ Initial liquidity risk is calculated by inverted ratio of cash supplies and assets with potential liquidity to visible debts. Initial liquidity risks indicator was 4.27 in 2011 and 3.47 in 2012 (19% improvement). Bank Mellat was successful in managing initial liquidity risks in 2012.



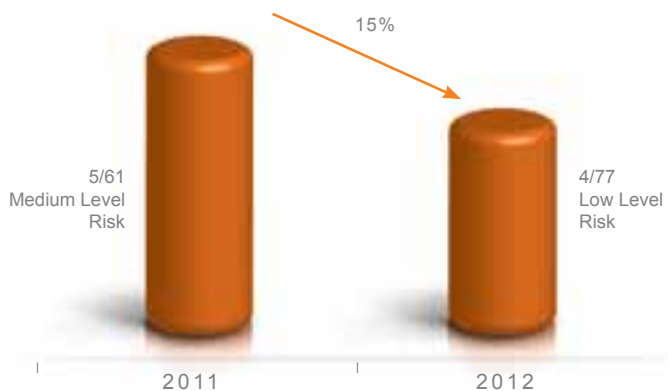
Secondary Liquidity Risk

■ A considerable part of liquidity risk is caused by unreturned cash leaving the bank under facilities. Thus, controlling this risk plays a major role in liquidity risk management. Lack of timely returns represents secondary liquidity risk. Failed cash returns risk indicator or secondary liquidity risk indicator was 1.34 in 2011 and 1.30 in 2012 (3% decrease).



Overall Liquidity Risk

■ Total liquidity risk for the whole bank was 5.61 in 2011 and 4.77 in 2012 (15% decrease). Bank Mellat could manage liquidity risks by day-to-day management, despite the liquidity problems present in all banks of the country in 2012.

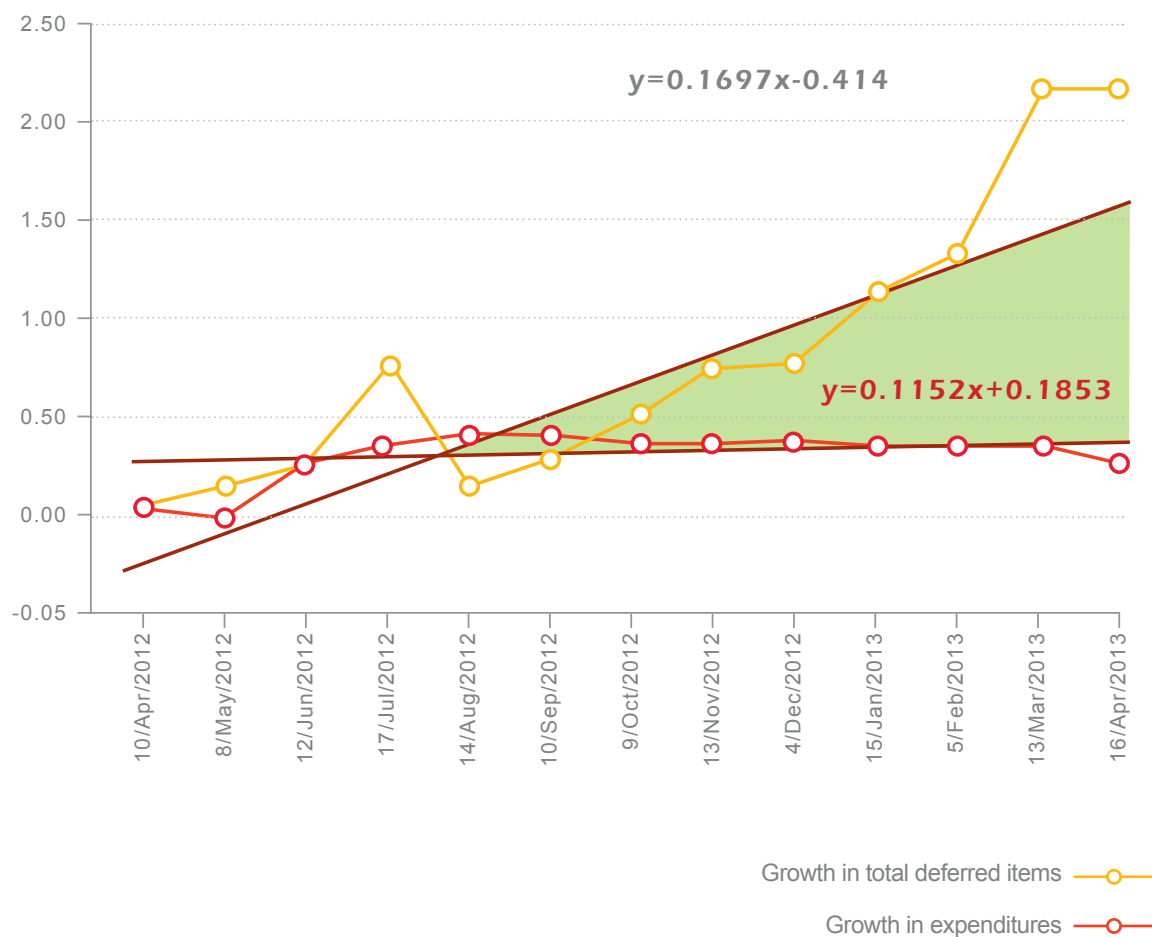


Credit Risk Coverage

Credit Risk Management

■ The most important risk for the banks is considered to be credit risks, with their intrinsic high quality and quantity. Credit risk management in Bank Mellat defines targets and provides constant monitoring for them to offer suitable mechanisms for policy-makers of credit and claims areas. The following diagram shows facilities and claims growth rate. It shows how claims growth rate was controlled in mid-2012 and, subsequently, there was a significant increase in efficiency of facilities management.

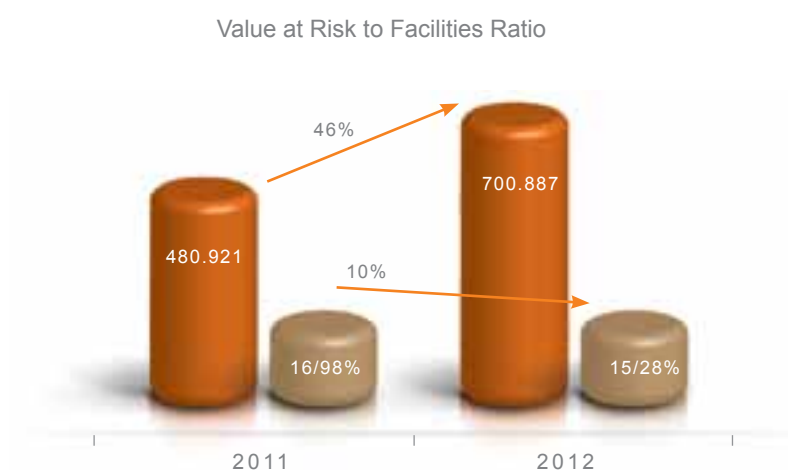
Facilities Management Efficiency Ratio



Credit Risk Coverage

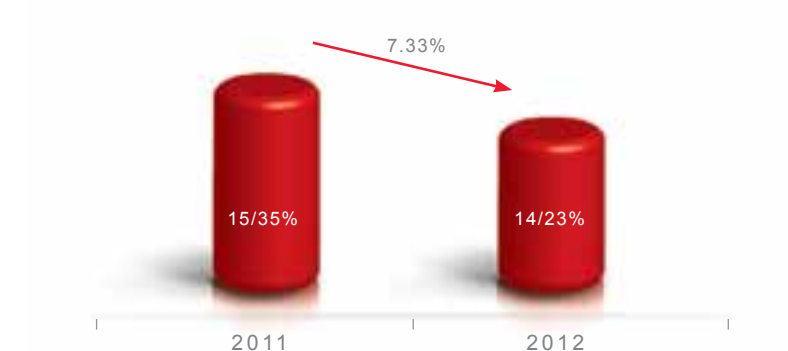
Value At Risk

■ In 2012, Credit Portfolio Management could obtain a 10 percent reduction of value at risk ratio for the credit portfolio, compared to last year; all in spite of the 46 percent increase in the amount of offered facilities.



Deferred Items to Facilities Ratio

■ Ratio of deferred items to facilities decreased by 7.33%, from 15.35 in 2011 to 14.23 in 2012.



Credit Risk Coverage

Coverage for Credit Portfolio Value at Risk

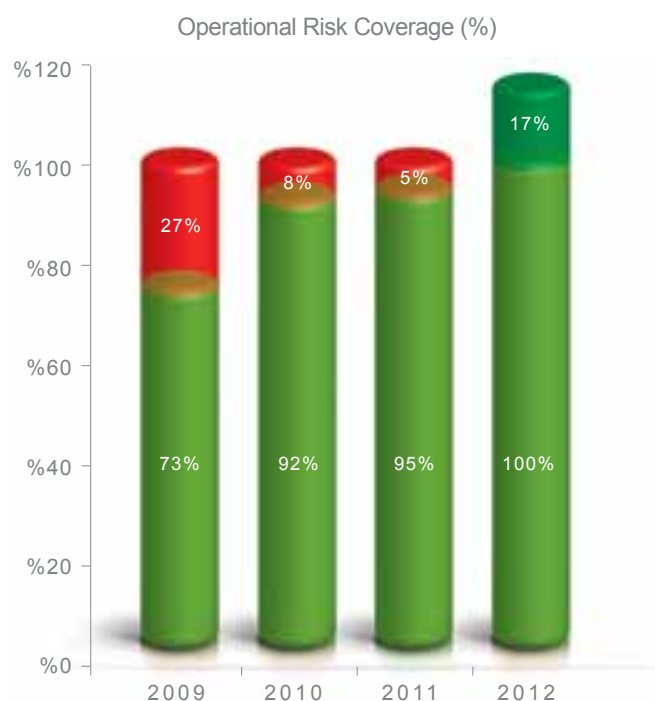
■ Coverage for credit portfolio value at risk increased by 3.2% compared to preceding year and reached 45% in 2012. A 45% coverage for value at risk procured from doubtful claims resource indicates a highly effective credit risk coverage in Bank Mellat.

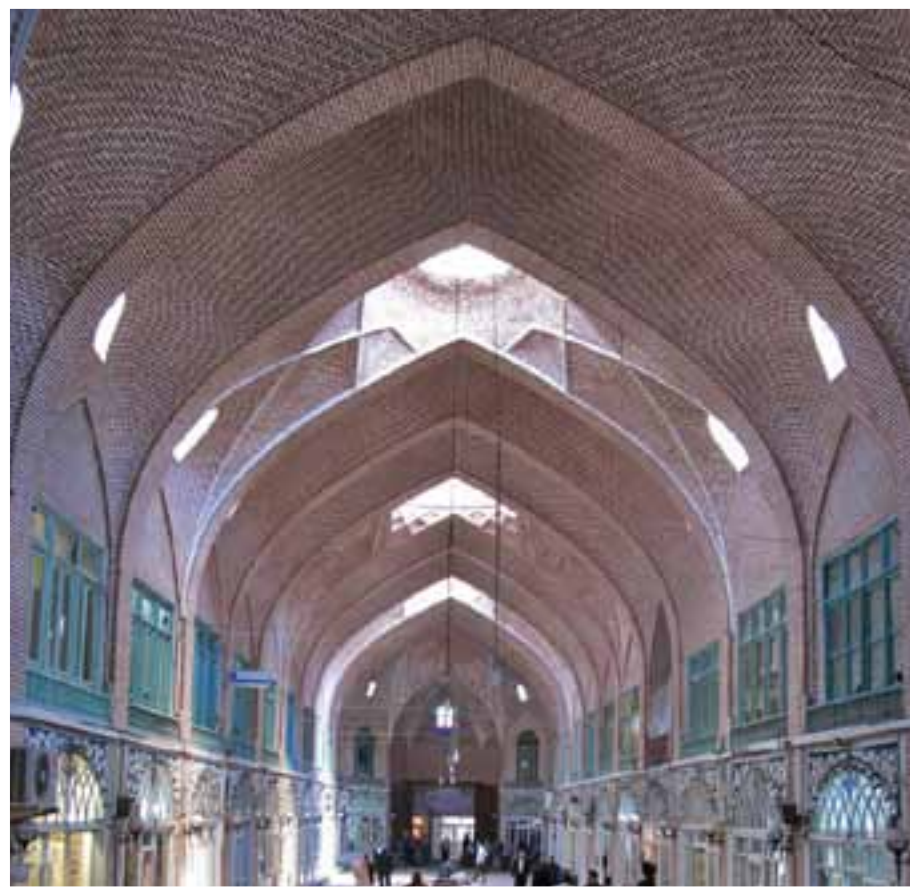


Operational Risk Management

■ In Bank Mellat, operational risk management identifies and evaluates risks involved in processes and procedures, human resources, internal systems and external events. Its methodology is based on the integrated framework for enterprise risk management and it is measured by the basic indicator.

In 2012, the economic capital considered for operational risk coverage was 17% more than the minimum capital requirements BAL II and BAL III Operational Risk. Bank Mellat has significantly increased its coverage for operational risks in the last four years period.





Completing Value Chain of the Bank

Completing Value Chain of the Bank

■ Today's complex business world might be described by extensive competition and simultaneous industrial globalisation, changing business environments, less governmental interferences, reciprocal development through services and goods provision value chains, increasing demands for market share, development of investment capabilities, and accessibility of new activities using environmental opportunities. Here, reformation of a number of enterprises in a holding organisation is one of the main managerial solutions offered in developed countries and developing countries, as well. Capable organisations configure their activities as a holding organisation to make the most out of their capabilities, increase management efficiency, to gain flexibility for competition, reduce costs, make value, guarantee their investments, solve problems, survive and ascend to higher levels of global scale.

Introducing Mellat Financial Group

■ In order to organise and aggregate the subsidiary companies, and in line with the directors board's enactments, Bank Mellat changed the title of Kheradmandan Investment Company to Mellat Financial Group and defined its mission in order to form an independent holding for financial services that conforms to existing structure of financial holdings in the world. Company-level assets of Bank Mellat were transferred to the newly formed holding to officially establish Mellat Financial Group Corporation in September 2011. Thus, Mellat Financial Group Corporation was registered on September 20, 2011 in the official Iranian record code no.19291/T/32, to organise and aggregate the financial service providing companies. Its registered capital size is now 12,000 billion Rials, all paid by the shareholders.

Vision

» The leading financial and investment holding

Mission

- » Partnership and investment in advantageous are nas;
- » Completion and continuous improvement of value chains of companies;
- » Improvement of overall group's qualities and quantities.

Goals

- » Identifying advantageous areas for investment and participating in them;
- » Development and completion of activity chains in the companies to improve the main company's position;
- » Managing the bank's assets in financial services business;
- » Strategic controlling of subsidiary companies for performance purposes;
- » Obtaining the maximum output, highlighting reciprocal relations between the companies in realising the vision;
- » Utilising the capacities created by governmental delegations of the Privatisation Organisation

■ The table below shows the areas of participation for Mellat Financial Group, together with related subsidiary companies.

This large family of companies now includes more than 22 members involved in various economic activities, which will develop further according to the strategic plan of the group. They can be categorised into six categories:

Completing Value Chain of the Bank

Category 1: Financial services

Category 2: Sales and trade

Category 3: Mining and exploration industries

Category 4: Buildings

Category 5: Oil, gas and petrochemicals

Category 6: Other activities (including IT)

Currently, each category includes the following number of companies:

Category	Category Title	Number of Companies
1	Financial companies	10
2	Sales and trade companies	4
3	Mining companies	2
4	Building companies	3
5	Oil, gas and petrochemicals companies	2
6	Other companies	1



Completing Value Chain of the Bank

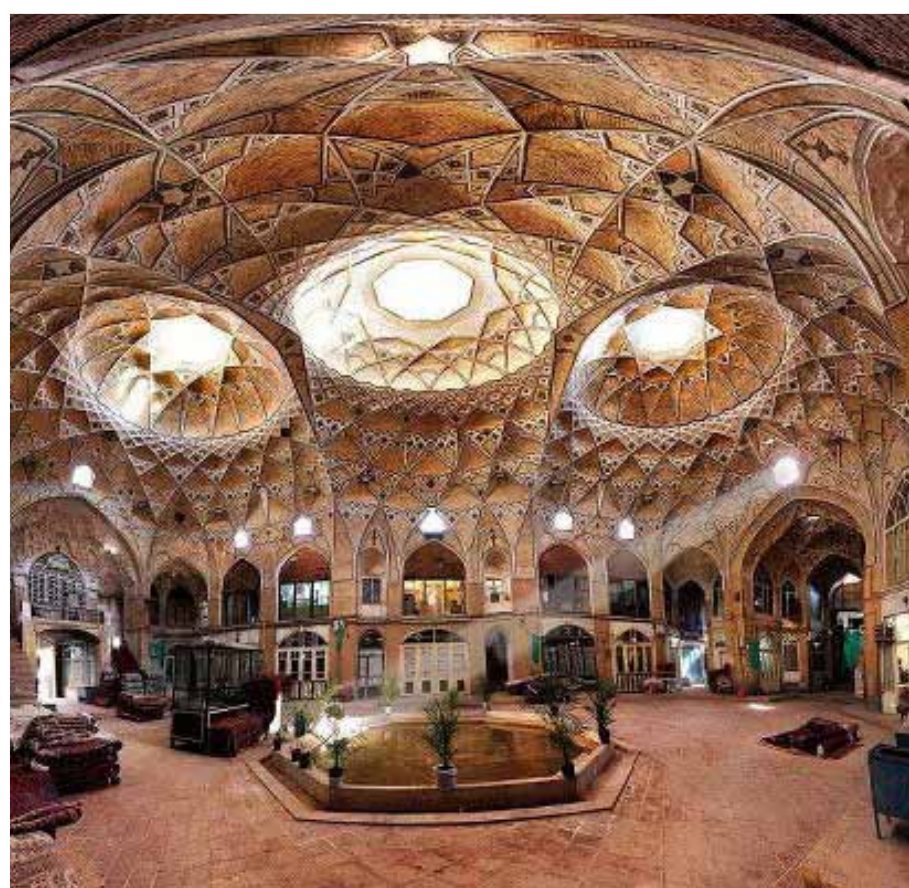
■ Companies in Mellat Financial Group divided to their respective field of activities, establishment year, and main activities.

Row	Name	Established in	Limited or Public	Activities	Field of Activities	
1	Vasepari Mellat	2009	Limited	Leasing and participation in projects	Money Market	Financial Services
2	Mellat Exchange Office	2007	Limited	Exchange and foreign money transfer		
3	Tadbirgaran Behsaz Mellat	2009	Limited	Credit information and evaluation		
4	Tarh & Andisheh Behsaz	2007	Limited	Banking claims collection		
5	MA Insurance	2011	Public	Insurance and insurance industry operations	Insurance Market	
6	Behsaz Mellat Insurance Services	2008	Limited	Insurance services		
7	Bank Mellat Agents	1993	Limited	Stocks brokering	Investment Market	
8	Moein Kheradmandan Capital Development	2010	Limited	Stocks investment		
9	Bank Mellat Financing	2010	Limited	Financial services and financing		
10	Amin Financing	2007	Limited	Financial services and financing		
11	Behsaz Commercial Services Expansion	2009	Limited	Investment and trade affairs	Sales and Trades	
12	Morvarid Kheradmandan Atlas	2010	Limited	Investment and trade affairs		
13	Atlas Petro-processors	2012	Limited	Investment and trade affairs		
14	Refah Chain Stores	1995	Limited	Trades and sales		
15	Bafq Mining and Iron and Steel Industries Complex	2011	Limited	Establishment and operation of factories	Mining	
16	Drilling and Minerals Exploration Engineering	2003	Limited	Exploration, drilling and operation		
17	Vavan Building and Urban Planning	1976	Limited	Building and construction	Building	
18	Construction and House-builders Company of Qazvin Province	2007	Limited	Building and construction		
19	Sakhteman and Khadamat Nosaz	1969	Limited	Building and construction		
20	Isfahan Oil Refinery Company	1968	Public	Crude oil refining and processing operations	Oil, Gas and Petrochemicals	
21	Bandar Abbas Oil Refinery Company	1997	Public	Crude oil refining and processing operations		
22	Kavosh Research Town	1990	Limited	Science and technology services	Others	

Mellat Financial Group

■ Activity Model for Mellat Financial Group





Independent auditor and legal investigator report



وزارت امور اقتصادی و دارایی
سازمان حسابرسی

گزارش حسابرسی مستقل و بازرسی قانونی
به مجمع عمومی عادی صاحبان سهام
بانک ملت (شرکت سهامی عام)

Financial Statements Report

Overview

1. Consolidated financial statements of Bank Mellat and Group (public organisation), including balance sheets dated end of 2012, comprehensive profits and losses statements, cash flow for the same year, and 1-61 explanatory notes were all audited by this organisation.

Responsibilities of the Directors Board in Relation to Financial Statements

2. The Bank's Directors are responsible for preparing the above mentioned financial statements in accordance with accounting standards. They should design, apply and enforce related internal controls to prevent any significant intentional or unintentional modification in them.

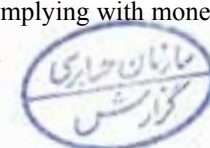
Responsibilities of Auditor and Legal Investigator

3. Present organisation is responsible for providing opinion on the above mentioned financial statements based on the audits performed in accordance with accounting standards. To follow the standards, present organisation should follow work ethics and plan and execute the audits in a way that ensures, to a reasonable extent, no significant modification exists in the financial statements.

Auditing includes execution of methods of obtaining auditing evidence about values and other information disclosed in financial statements. Deciding on the specific methods is dependent on the auditor's judgments, for instance about the potential risks of significant intentional or unintentional modifications. To assess the risks, internal controls regarding the preparation and submission of financial statements are studied beforehand to develop audit methods suitable for the given situation, rather than evaluating the effectiveness of the bank's internal controls.

Bank Mellat (public organisation)

Present organisation considers the received auditing evidence sufficient and relevant for a conditional comment about consolidated financial statements of Bank Mellat and Group. In addition to legal investigations, present organisation is responsible for reporting to shareholders general public assembly all related issues and cases of not complying with monetary/banking regulations, interest free banking operations, Commerce Law Amendment, or the Bank statute.



Independent Auditor and Legal Investigator Reports For The General Assembly of Bank Mellat (LLP) Shareholders



وزارت امور اقتصادی و دارایی
سازمان حسابرسی

گزارش حسابرس مستقل و بازرس قانونی
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بانک ملت (شرکت سهامی عام)

Basis of Conditional Comment

4. According to Article 29 of Bank Employees' Retirement and Pensions Fund, current value of future commitments should be determined once in three years so that each member bank can supply the applicable amount verified by the fund general assembly. Thus, 7,664 billion Rials were added to the accounts, 3,700 billion Rials of which have been paid. Although available evidence makes more supplies and accounts balancing necessary, the exact amount of the balance requires a statement from the fund and final resolution from related authorities in the fund.

Conditional Comment on Consolidated Financial Statements of Bank Mellat and Group

5. In present organisation view, the above mentioned financial statements satisfactorily represent, in accordance with accounting standards, financial situation of Bank Mellat and Group (public organisation) on the last day of 2012 and financial performance and cash flows of the bank and the group during the same year; the only exceptions being those of Section 4.

Special Note

6. As described in Explanatory Note 6 of the financial statements, near the end of fiscal 2011, the Central Bank withdrew a net value of 2,537 billion Rials from Bank Mellat's account as exchange differential based on enactment 47698/34030-90/م/ت of the five member committee of Foreign Exchange Affairs. The amount is registered in the books under Central Bank Debts; but queries about collection or identification of the act are still pending. Present organisation is unable to balance such cases.

7. As reflected in Explanatory Notes 1-8 of the financial statements, 12,825 billion Rials of the bank's shares claims are still pending under the administration and the bank has failed to reinforce its ownership rights. Therefore, the claims are again reflected within "claims to the administration" column in financial statements. As this categorisation cannot be verified, present organisation has not balanced the related section.

Other Explanatory Notes

8. In the reporting year, some customers' annual debts were divided to instalments, transferred to "current" category, and their incomes were determined. However, our investigations show that some of these instalments are not paid on their due dates.





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بانک ملت (شرکت سهامی عام)

Report on Other Legal Requirements of Bank Mellat

Report on Other Legal Investigator Duties

9. The following banking system instructions and enactments were not followed in 2012:

9.1. Monetary, credit and monitoring policies of the national banking system:

9.1.1. Clause 1 of Article 17, regarding facilities upper limit for legal entities to be 10 times their investment

9.1.2. Clause 4 of Article 17, regarding some credit extension for subsidiary companies without approvals from credit commission and the Central Bank

9.2. The Central Bank Enactment 1733772/89 on 1 November 2010, regarding complete execution of Instructions on Facilities and Commitments of Related Individuals

9.3. The Central Bank Enactment MB183 on 26 April 2007, specifically for:

9.3.1 Article 3.3, the bank's total direct and indirect investment in non-stocks bonds can at most comprise five percent of bank's investment base.

9.3.2. Article 5.3, the bank's total direct and indirect investment in shares of companies, for income purposes, should at most comprise 20 percent of the total capital registered in statute of the investee.

9.3.3. Article 6.3, the bank's total direct and indirect investment in shares of companies, for purposes of developing the banking services, providing financial services and protecting professional secrets, should at most comprise 49 percent of the total capital registered in statute of the investee.

10. Article 53 of the Bank's statute, regarding legal reserves provided by net profit differ from national monetary and banking rules.

11. Article 186 of Direct Taxes Law, regarding delivery of facilities after tax recovery by the customer, is not observed in some cases.

12. Clause 28 of the 2012 National Budget, depositing administered unused cash dating earlier than 2010 to the treasury of the administration until September 2012: 104 billion Rials of administered cash from Iran Small Industries and Industrial Towns was paid after the deadline.

13. Available information indicates that more than 74 billion Rials of embezzlement occurred in the fiscal year (cf. 55 billion Rials for the preceding year) and proceeds from the embezzlement are 54 billion Rials till now (cf. 36 billion Rials).

14. Transactions in Clause A. of Explanatory Notes 1-60 were examined as all transactions subject to Article 129 of Trade Law Amendment performed during the reporting fiscal year and reported to present organisation by the Directors Board. Regarding the transactions, including the five properties, entrusts to subsidiary companies (see Explanatory Note 1.3.60) followed the requirements of the Article in terms of obtaining directors board approval and the beneficiary manager not participating in the voting process. Additionally, present organisation did not find any instance of non-compliance with proper economic conduct or normal banking procedures.

Independent Auditor and Legal Investigator Reports For The General Assembly of Bank Mellat (LLP) Shareholders



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15. Present organisation has reviewed the Directors Board report on general bank situation and activities, according to Article 232 of Trade Law Amendment, prepared for shareholders general public assembly. No significant case of differing information between their report and the documents provided by the Directors Board were found.

16. Detailed remuneration lists for realised profits and investment deposits account, disclosed in Explanatory Note 41, were reviewed according to the Central Bank's Instruction 126331 on 8 September 2008. The instructions has been followed fully.

Report on Auditor's Other Legal Responsibilities

17. To follow Article 33 of practical anti-laundering instructions for auditors, present organisation assessed compliance with related rules, instructions and guidelines, by using checklists provided by the applicable authority and auditing standards. The mandatory instructions and related rules were not fully realised in the banking system, despite establishment of an anti-laundering unit within the bank's network and other similar measures taken.

18. The following requirements of Stock Exchange Organisation were not met:

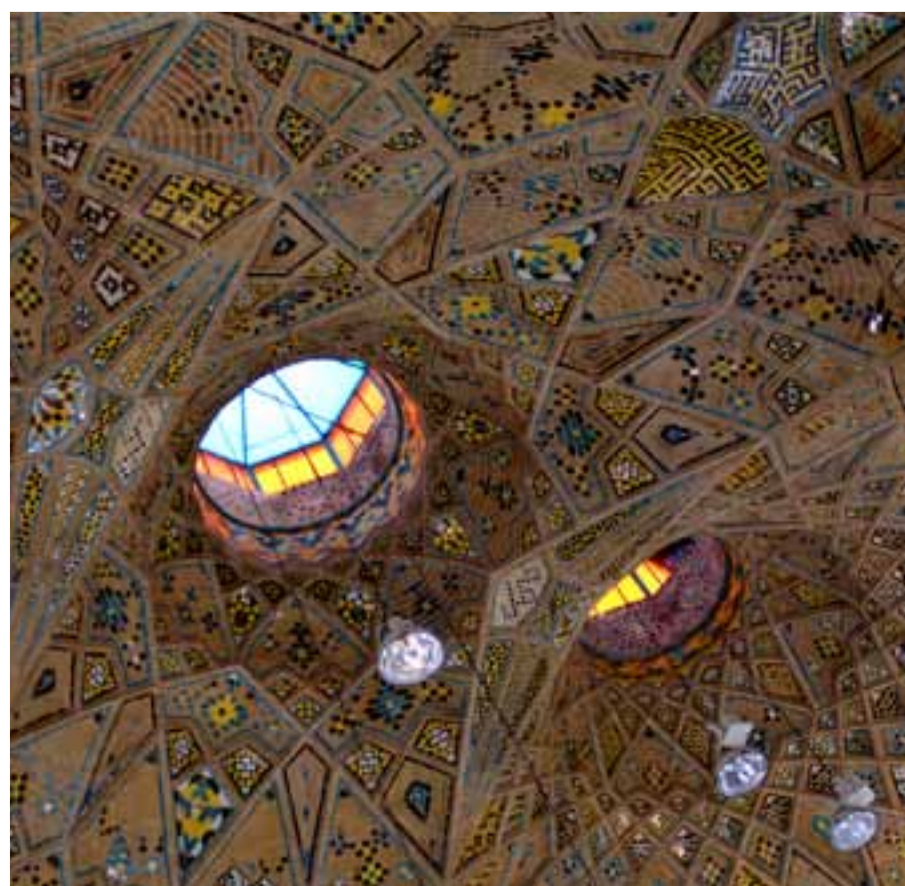
18.1 Statute of the Bank does not comply with sample statutes accepted in Stocks Exchange Organisation;

18.2 Submitting and releasing information, reports and financial statements on set dates during the fiscal year

18.3 Submitting and releasing complete financial statements for the bank according to Stocks Exchange Organisation sample

16 July 2013

Audit Organisation
Bahram Sadoughnia Mohammad Hossein Khatibzadeh



In the Name of God
Bank Mellat (Joint Stock Company)
Explanatory Notes on the Financial Statements
Fiscal Year Ending March 20th 2013

Stock Exchange Organisation

Consolidated financial statements are attached together with the Bank financial statements for they year ended in 2012. Financial statements include the following:

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Consolidated financial statements of the group and financial statements of the bank were prepared in accordance with accounting standards, and the Bank Board of Directors approved them on 15 July 2013.

<u>Directors Board</u>	<u>Title</u>	<u>Signature</u>
Ali Divandari	CEO and member of Board of Directors	
Mohammadreza Saroukhani	Chairman and member of Board of Directors	
Mohsen Fadavi	Member of Board of Directors	
Alireza Lakzali	Member of Board of Directors	
Ali Khorsandian	Member of Board of Directors	



Total assets		1,183,483,351
Commitments:	57	779,542,056
Commitments for letters of credit		91,857,660
Commitments for guarantees		14,018,937
Other Commitments		82,507,945
Administered amounts and the like		3,142,612
		<u>317,527,154</u>
Total debts and shareholders salaries		284,344,744
Commitments:	57	779,542,056
Committed to for letters of credit		91,857,660
Committed to for guarantees		14,018,937
Committed to for other reasons		82,507,945
Administered amounts and the like		3,142,612
		<u>317,527,154</u>

(2)

Bank Mellat (Joint Stock Company)
Consolidated Profit and Loss Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013		resubmit 19/Mar/2012
		Million Rials	Million Rials	
A. Income from shared activities				
Offered facilities profit	36	51.524.742		46.825.200
Service provision and goods sales income	37	21.735.978		25.996.035
Investment and depositing profit	38	8.977.586		1.659.967
Total shared income			82.238.306	74.481.202
Subtractions:				
Final cost of provided services and sold goods	39	(19.363.892)		(24.791.948)
Interest on investment deposits	40	(46.499.677)		(31.712.327)
Payable interest to depositors			(65.863.569)	(56.504.275)
Bank's interest and brokerage income			16.347.737	17.976.927
B. Income from non-shared activities:				
Received liability payments profit	42	19.680.157		11.793.474
Received fees	43	5.221.441		6.577.749
Other earnings	44	13.846.082		6.745.437
Total non-shared income			38.747.680	25.116.660
Total bank income			55.122.417	43.093.587
C. Expenditures:				
Administrative and general expenditures	45	(19.678.572)		(15.505.971)
Doubtful claims expenditure	46	(11.398.486)		(7.319.343)
Retirement benefits (actuary)	47	(200.000)		(5.490.000)
Financial expenditure	48	(5.600.460)		(5.133.916)
Other expenditures	49	(869.167)		(703.545)
Total bank expenditure			(37.746.685)	(34.152.775)
Profit before tax			17.375.732	8.940.812
Subtractions: taxes			(2.216.622)	(873.317)
Net Profit			15.159.110	8.067.495
Minority share			163.277	76.957
Base profit per share (with 33.100.000 million Rials capital)			466	240

Accumulated Profit Account Flow

Net Profit			15.159.110	8.067.495
Accumulated profit on year's start		7.014.241		5.605.081
Annual Balances	50	(807.028)		(489.970)
Accumulated profit on year start – Balanced			6.207.213	5.115.111
Allocatable profit			21.366.323	13.182.606
Changes in minority share in accumulated profit on year start			0	25.055
			21.355.323	13.207.661
Profit Allocation:				
Legal deposits		(3.343.796)		(1.569.065)
Other deposits		(0)		(4.535)
Directors Board bonus		(2.214)		(0)
Transfer to plan final price		(0)		(73.750)
Agreed shares profit		(5.400.000)		(1.300.097)
Transfer to capital account of the main company		0		(4.000.000)
Transfer to capital account of subsidiary companies		0		(53.000)
			(8.746.110)	(7.000.447)
Accumulated profit at year-end			12.441.152	6.103.759
Minority share			179.061	103.454

Accompanying Explanatory Notes are inseparable parts of the financial statements.



Bank Mellat (Joint Stock Company)
Comprehensive Consolidated Profit and Loss Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013 Million Rials	resubmit 19/Mar/2012 Million Rials
Net Profit		15.159.110	8.067.495
Surplus from remeasurement of static assets	32	306.777	13.100.000
Difference between assets conversion and foreign exchange debts		(53.139)	(92.188)
Fiscal year comprehensive profit		15.412.748	21.075.307
Annual balances	50	(807.028)	(464.915)
Comprehensive profit (loss) identified since the last report date		14.605.720	20.610.392
Minority share in fiscal year comprehensive profit		163.377	70.681



Accompanying Explanatory Notes are inseparable parts of the financial statements.

Bank Mellat (Joint Stock Company)
Consolidated Cash Flow Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013		resubmit 19/Mar/2012
		Million Rials	Million Rials	
Operational Activities				
Net cash flow input from operational activities	53		26.095.662	39.158.369
Investment return and profits paid for financing				
Profit received (Shares profit, Share sales profit, bonds profit)		8.977.586		1.538.332
Profits paid for financing		(5.600.460)		(5.133.916)
Shares profit paid		(4.460.457)		(2.066.494)
Shares profit paid to minority shareholders		(8.035)		(14.594)
Net cash flow output through profits paid for investments and financing			(1.091.366)	(5.676.672)
Income Tax				
Income tax paid (including prepaid tax)			(1.455.447)	(1.455.447)
Investment Activities				
Payments for investments and legal partnerships		(8.914.901)		(9.816.580)
Earnings from sales of investments and legal partnerships		0		1.352.411
Payments for static assets purchases		(7.086.634)		(3.829.946)
Earnings from static assets sales		329.042		299.746
Net flow output through investment activities			(15.772.493)	(11.994.369)
Net flow input before financing activities			7.776.356	16.834.088
Financing Activities				
Facilities received (repaid) from foreign banks		(2.043)		(36.821)
Facilities received (repaid) from the Central Bank		(1.326.847)		(13.374.932)
Facilities the group companies received (repaid) from other banks		361.114		264.219
Changes in share of the main company in subsidiary companies ownership		(647.413)		(657.213)
Net cash flow output from financing activities			(1.615.189)	(13.804.747)
Net Cash Increase			6.161.167	3.029.341
Cash balance at the beginning of fiscal period	55		16.826.824	13.797.483
Cash balance at the end of fiscal period	55		22.987.991	16.826.824
Non-cash exchanges	56		1.147.162	2.826.326



Accompanying Explanatory Notes are inseparable parts of the financial statements.

Total assets	1,181,739,123	778,513,362	Reserves resulting from conversion of assets and foreign exchange debts	34	928,665	928,665
Commitments:			Cumulative profit and loss		11,846,451	5,481,600
Commitments for letters of credit	57	91,857,660	Total shareholders salaries		55,119,217	45,843,485
Commitments for guarantees		140,018,937	Total debts and shareholders salaries		1,181,739,123	778,513,362
Other Commitments		82,507,945				
Administered amounts and the like		3,142,612	Commitments:	57	91,857,660	83,783,839
		317,527,154	Committed to for letters of credit		140,018,937	100,145,001
			Committed to for guarantees		77,336,840	77,336,840
			Committed to for other reasons		82,507,945	3,079,064
			Administered amounts and the like		3,142,612	3,079,064
					317,527,154	264,344,744

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Bank Mellat (Joint Stock Company)
The Bank Profit and Loss Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013		resubmit 19/Mar/2012
		Million Rials	Million Rials	
A. Income from shared activities				
Offered facilities profit	36	51,524.742		47,166.690
Investment and depositing profit	38	10,603.026		2,459.909
Total shared income			62,127.768	49,626.599
Subtractions:				
Interest on investment deposits	40	(46,710.611)		(32,021.551)
Difference between realised and provisional profit for investment deposits	41	(0)		(0)
Payable interest to depositors			(46,710.611)	(32,021.551)
Bank's interest and brokerage income			15,417.157	17,605.048
B. Income from non-shared activities:				
Received liability payments profit	42	20,797.167		11,675.321
Received fees	43	5,218.626		6,567.883
Other earnings	44	13,136.563		5,665.696
Total non-shared income			39,152.356	23,908.900
Total bank income			54,569.513	41,513.948
C. Expenditures:				
Administrative and general expenditures	45	(19,942.330)		(15,465.892)
Doubtful claims expenditure	46	(11,389.195)		(7,319.343)
Retirement benefits (actuary)	47	(200.000)		(5,490.000)
Financial expenditure	48	(6,117.852)		(5,006.680)
Other expenditures	49	(869.167)		(703.427)
Total bank expenditure			(38,518.543)	(33,985.342)
Profit before tax			16,050.972	7,528.606
Subtractions: taxes			(1,344.908)	(519.797)
Net Profit			14,706.064	7,008.809
Minority share				
Base profit per share (with 33,100,000 million Rials capital)			444	212

Accumulated Profit Account Flow

Net Profit			14,706.064	7,008.809
Accumulated profit on year's start		6,098.276		5,502.770
Annual Balances	50	(616.677)		(244.259)
Accumulated profit on year start – Balanced			5,481.600	5,258.511
Allocatable profit			30,187.664	12,267.320
Profit Allocation:				
Legal deposits		(2,941.213)		(1,505.721)
Transfer to capital account according to the enactment of bank assembly		(0)		(4,000.000)
Agreed shares profit		(5,400.000)		(1,280.000)
			(8,341.213)	(6,785.721)
Accumulated profit at year-end			11,846.451	5,481.600

Accompanying Explanatory Notes are inseparable parts of the financial statements.



Bank Mellat (Joint Stock Company)
Comprehensive Bank Profit and Loss Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013 Million Rials	resubmit 19/Mar/2012 Million Rials
Net Profit		14.706.064	7.008.809
Surplus from remeasurement of static assets	33	0	13.100.000
Difference between assets conversion and foreign exchange debts		(44.498)	62.188
Fiscal year comprehensive profit		14.661.566	20.170.997
Annual balances	50	(616.677)	(244.259)
Comprehensive profit (loss) identified since the last report date		14.044.889	19.926.738



Accompanying Explanatory Notes are inseparable parts of the financial statements.

Bank Mellat (Joint Stock Company)
Cash Flow Statement
Fiscal Year Ending March 20th 2013

	Notes	20/Mar/2013		resubmit 19/Mar/2012
		Million Rials	Million Rials	
Operational Activities				
Net cash flow input from operational activities	53		13.664.558	27.245.213
Investment return and profits paid for financing				
Profit received (Shares profit, Share sales profit, bonds profit)		10.988.320		2.626.191
Profits paid for financing		(6.117.852)		(5.006.680)
Shares profit paid		<u>(4.587.005)</u>		<u>(1.264.798)</u>
Shares profit paid to minority shareholders			283.463	(3.645.287)
Net cash flow output through profits paid for investments and financing				
Income Tax				
Income tax paid (including prepaid tax)			(995.577)	(4.249.560)
Investment Activities				
Payments for investments and legal partnerships		(1.237.266)		(2.118.386)
Earnings from sales of investments and legal partnerships		0		1.352.411
Payments for static assets purchases		(5.822.990)		(3.032.641)
Earnings from static assets sales		<u>587.701</u>		<u>303.408</u>
Net flow output through investment activities			<u>(6.472.555)</u>	<u>(3.495.208)</u>
Net flow input before financing activities			6.479.889	15.855.158
Financing Activities				
Facilities received (repaid) from foreign banks		(2.043)		(36.821)
Facilities received (repaid) from the Central Bank		<u>(1.326.847)</u>		<u>(13.957.481)</u>
Net cash flow output through financing activities			<u>(1.328.890)</u>	<u>(13.994.302)</u>
Net Cash Increase			5.150.999	1.860.856
Cash balance at the beginning of fiscal period	55		<u>14.753.022</u>	<u>12.892.166</u>
Cash balance at the end of fiscal period	55		<u>19.904.021</u>	<u>14.753.022</u>
Non-cash exchanges	56		1.147.162	1.923.261



Accompanying Explanatory Notes are inseparable parts of the financial statements.



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Public relations

www.bankmellat.ir