TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2014

30 June 2015

This report contains the "Independent Auditors' Report comprising 1 page and; the "Consolidated Financial statements and their explanatory notes" comprising 64 pages.

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Independent Auditors' Report

To the Board of Directors of Turkish Bank A.Ş.:

We have audited the accompanying consolidated financial statements of Turkish Bank A.Ş. ("the Parent Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Murat Alsan
Partner

30 June 2015
Istanbul, Turkey

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TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

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

	Notes	2014	2013
Assets			
Cash and balances with the Central Bank of Turkey	5	121,059	72,869
Loans and advances to banks	6	185,675	313,494
Money market placements	7	19,117	8,647
Financial assets at fair value through profit or loss	8	5,329	3,357
-Trading investment securities		3,564	1,990
-Derivative financial instruments		1,765	1,367
Loans and advances to customers	9	892,679	536,611
Available for sale financial assets	10	73,847	100,116
Leasing receivables	11	730	3,187
Factoring receivables	12	18,097	19,713
Property and equipment	13	8,758	10,462
Intangible assets	14	4,167	1,487
Deferred tax asset		2,803	2,325
Other assets	15	83,832	73,074
TOTAL ASSETS		**1,416,093**	**1,145,342**
Liabilities			
Deposits	16	905,123	644,804
Obligations under repurchase agreements and money market funding	17	35,475	49,557
Funds borrowed	18	204,904	175,351
Derivative financial instruments		708	70
Debit securities issued	19	57,849	74,418
Corporate tax liability	20	3,029	1,689
Employee benefits and other provisions	21	3,212	1,638
Other liabilities	22	18,819	24,681
TOTAL LIABILITIES		**1,229,119**	**972,208**
EQUITY			
Share capital issued	23	175,000	165,000
Adjustment to share capital		6,868	6,868
Fair value reserve		(180)	(399)
Legal reserve		4,712	4,692
Retained earnings		574	(3,027)
TOTAL EQUITY		**186,974**	**173,134**
TOTAL LIABILITIES AND EQUITY		**1,416,093**	**1,145,342**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	2014	2013
Interest income		100,207	61,797
Interest expense		(51,935)	(28,998)
Net interest income	24	**48,272**	**32,799**
Fee and commission income		11,270	11,645
Fee and commission expense		(2,065)	(1,354)
Net fee and commission income		**9,205**	**10,291**
Foreign exchange losses, net	25	(2,212)	(6,014)
Trading gains, net	25	1,148	5,309
Gains from investment securities, net	25	84	942
Other operating income	26	4,723	5,584
Operating income, net		**61,220**	**48,911**
Impairment losses on loans and credit related commitments, net		(4,969)	(1,509)
Other operating expenses	27	(52,126)	(48,575)
Profit/(Loss) before income tax		**4,125**	**(1,173)**
Income tax (expense)/income	20	(504)	308
Profit/(Loss) for the year		**3,621**	**(865)**
Profit/(Loss) Attributable to:			
Equity holders of the Bank		3,621	(865)
Non-controlling interest		-	-

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

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

	2014	**2013**
Profit/(Loss) for the year	3,621	(865)
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of available for sale financial assets	243	(685)
Available for sale financial assets transferred to profit or loss	31	(689)
Income tax	(55)	275
Other comprehensive income/(loss), net of income tax	**219**	**(1,099)**
Total comprehensive income/(expenses), net of income tax	**3,840**	**(1,964)**

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Share Capital	Adjustment to share capital	Unrealized gains/(losses) on available for sale financial assets, (net of tax)	Legal reserves	Other reserves	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 1 January 2013	157,500	6,868	700	4,590	(2,060)	167,598	-	167,598
Profit for the year	-	-	-	-	(865)	(865)	-	(865)
Other comprehensive income	-	-	(1,099)	-	-	(1,099)	-	(1,099)
Total other comprehensive income	**-**	**-**	**(1,099)**	**-**	**(865)**	**(1,964)**	**-**	**(1,964)**
Contributions by and distributions to owners								
Capital Increase	7,500	-	-	-	-	7,500	-	7,500
Transfers to reserves	-	-	-	102	(102)	-	-	-
Balance at 31 December 2013	**165,000**	**6,868**	**(399)**	**4,692**	**(3,027)**	**173,134**	**-**	**173,134**
Balance at 1 January 2014	165,000	6,868	(399)	4,692	(3,027)	173,134	-	173,134
Profit for the year	-	-	-	-	3,621	3,621	-	3,621
Other comprehensive income	-	-	219	-	-	219	-	219
Total other comprehensive income	**-**	**-**	**219**	**-**	**3,621**	**3,840**	**-**	**3,840**
Contributions by and distributions to owners								
Capital Increase	10,000	-	-	-	-	10,000	-	10,000
Transfers to reserves	-	-	-	20	(20)	-	-	-
Balance at 31 December 2014	**175,000**	**6,868**	**(180)**	**4,712**	**574**	**186,974**	**-**	**186,974**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year		**3,621**	**(865)**
Adjustments for:			
Depreciation and amortization expense	13,14	1,755	1,626
Impairment losses on loans and credit related commitments		5,267	802
Income tax expense	20	504	(308)
Provision for employee benefits	27	352	182
Net interest income		43,763	30,254
Net fee and commission income		11,376	3,053
Collections from written off loans		1,472	4,499
Payments to personnel and service suppliers		(42,991)	(36,143)
Taxes paid		-	(427)
		25,119	**2,673**
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(1,638)	-
Loans and advances to banks and customers		(355,986)	(140,678)
Other assets		(7,222)	(25,876)
Deposits from banks and customers		259,865	44,919
Other borrowed funds		30,123	82,639
Other liabilities		(30,275)	(38,355)
Net cash used in operating activities		**(80,014)**	**(74,678)**
Cash flows from investing activities			
Acquisition of fixed assets	13,14	(4,143)	(6,412)
Proceeds from sales of fixed assets		3,611	2,464
Acquisition of available for sale financial assets	10	(8,244)	(98,853)
Proceeds from sales of available for sale financial assets	10	34,288	71,373
Net cash used in financing activities		**25,512**	**(31,428)**
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities issued		57,645	74,334
Repayment of funds borrowed and debt securities issued		(75,000)	(15,000)
Capital increase	23	10,000	7,500
Net cash from financing activities		**(7,355)**	**66,834**
Net change in cash and cash equivalents		**(61,857)**	**(39,272)**
Cash and cash equivalents at the beginning of the year		**394,856**	**413,943**
Effect of exchange rate fluctuations on cash and cash equivalents		(7,210)	20,185
Cash and cash equivalents at the end of the year		**325,789**	**394,856**

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

1. GENERAL INFORMATION

Turkish Bank A.Ş. ("the Bank") was incorporated in Turkey on 14 September 1991 and commenced operations on 25 December 1991. The registered office address of the Bank is as follows: Vali Konağı Cad. 1, 34371 Nişantaşı - Istanbul, Turkey. The Bank has 18 branches (2013: 19). The Bank and its subsidiaries in total have 363 employees as of 2014 (2013: 367).

Pursuant to the permission of Competition Board dated 8 November 2008 and numbered 07-85/1045-405 and the permission of Banking Regulation and Supervision Agency dated 28 December 2008 and numbered 17591, National Bank of Kuwait acquired 31.43% of shares of the Bank amounting to TL 22,000 from Özyol Holding A.Ş. The Board of Directors approved the acquisition on 10 January 2008 and the share transfer was registered on 29 January 2008.

Upon the resolution carried at the extraordinary general meeting of the shareholders held on 29 January 2008, the Bank's paid-in capital (TL 70,000) was raised to TL 80,000 by a cash increase of TL 10,000. Increase in paid-in capital was registered in the Trade Registry Gazette No: 6995 on 8 February 2008. The entire increase amount was paid in by the new shareholder National Bank of Kuwait as of the date of the extraordinary general meeting. The share of National Bank of Kuwait in the Bank's paid in capital increased to 40% after the capital increase. The shares issued during the capital increase are premium shares. National Bank of Kuwait paid TL 47,448 (USD 40,000) in respect of nominal shares of TL 10,000 and the difference of TL 37,448 was accounted as premium in excess of par.

At the extraordinary general meeting of the Bank held on 25 May 2012, the following decisions have been made by the majority of votes:

- The Bank's paid in capital amounting to TL 80,000 will be increased to TL 175,000 and TL 70,000 of the increased amount will be covered by internal resources, including TL 37,448 of Share Premiums, TL 19,032 of Inflation Difference, TL 13,520 of Extraordinary Reserves and the remaining amount, which equals to TL 25,000, will be covered in cash; and
- TL 25,000 of cash of which is the committed part of the capital increase will include TL 7,500 of payment in June 2014 and April 2013 (amounting to TL 15,000) and TL 10,000 of payment in April 2014 with reserving the Bank's General Assembly's earlier payment call right.

Procedures both related to TL 70,000 of the increased capital amount which will be covered by internal resources and the first TL 7,500 of capital increase portion were completed upon the Banking Regulation and Supervision Agency's letters of approval issued as at 28 May 2012 and 10 August 2012, respectively and related accounting was recognized in the financial statements accordingly.

Since one of the Bank's main shareholder's, namely National Bank of Kuwait, did not participate in the capital increase, its interest in the Bank's paid in capital as of the balance sheet date is decreased to 34.29% (2013: 36.37%) Accordingly, as of the balance sheet date, other main shareholders', namely Özyol Holding A.Ş and Mehmet Tanju Özyol, interests in the paid in capital is increased to 58.92% (2013: 57.05%) and 5.66% (2013: 5.48%), respectively subsequent to their contribution to the capital increase.

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

1. GENERAL INFORMATION (cont'd)

As of December 31, 2014 and 2013, the composition of shareholders and their respective % of ownership are summarized as follows:

	31 December 2014		31 December 2013	
	Amount	**%**	**Amount**	**%**
Özyol Holding A.Ş.	103,114	58.92	94,132	57.05
National Bank of Kuwait	60,000	34.29	60,000	36.37
Mehmet Tanju Özyol	9,910	5.66	9,047	5.48
Others	1,976	1.13	1,821	1.10
Total	**175,000**	**100.00**	**165,000**	**100.00**

The Group Information

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

The operations of the Group consist of banking, securities brokerage, leasing and factoring.

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 2014 and 2013 are as follows:

	Place of Incorporation	Effective Shareholding and Voting Rights %	
		2014	**2013**
Turkish Yatırım A.Ş.	Turkey	99.99	99.99
Tasfiye Halinde Turkish Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Turkish Faktoring Hizmetleri A.Ş.	Turkey	99.99	99.99

Turkish Yatırım A.Ş.

Turkish Yatırım A.Ş. was established on 31 December 1996 to deal with capital market activities according to the related regulations and the Capital Market Law. The head office of the Company is domiciled in Abdi İpekçi Caddesi, No: 57, Reasürans Han Kat: 5 Harbiye - İstanbul - Turkey.

Tasfiye Halinde Turkish Finansal Kiralama A.Ş.

Turkish Finansal Kiralama A.Ş. is in the process of liquidation as of the reporting date.

Turkish Faktoring Hizmetleri A.Ş.

Turkish Faktoring Hizmetleri A.Ş. was established on 9 May 2007 to provide both domestic and export factoring services to industrial and commercial enterprises.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved by the Management of the Parent Bank on March 30, 2015.

2.2 Basis of measurement:

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale securities, financial assets at fair value through profit and loss and derivative financial instruments that have been measured at fair value.

2.3 Basis of presentation of consolidated financial statements:

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), regulations promulgated by the Capital Markets Board of Turkey and also the Turkish Commercial Code.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

2.4 Inflation accounting:

The financial statements of the Bank and its subsidiaries for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Consolidation:

The consolidated financial statements are presented in Turkish Lira ("TL"), which is the Bank's functional currency.

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.6 Income and Expense Recognition:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight line basis wherever does not materially differ from fair value or amortized cost method.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Functional and Presentation Currency and Foreign Currency Transactions:

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira (TL), which is the functional currency of the Bank and its subsidiaries, and the presentation currency for the consolidated financial statements.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

As at 2014 and 2013 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As of 31 December 2014 and 31 December 2013 exchange rates of US Dollar and Euro are as follows:

	2014	**2013**
1 US Dollar	2.3189	2.1343
1 Euro	2.8207	2.9365

Average rates for the last thirty dates are as follows:

	2014	**2013**
1 US Dollar	2.3198	2.1343
1 Euro	2.8296	2.9365

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets:

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. The Group does not have held-to-maturity investments as of the balance sheet date.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets: (cont'd)

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. The Group does not have held-to-maturity investments as of the balance sheet date.

Available-for-sale financial assets

Investments other than held-to-maturity debt securities and held for trading securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The Group's investments are composed of Turkish Republic Government bonds, Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices and subsequently measured as explained above in accordance with their classification.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial assets (cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial liabilities:

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

The Group does not have financial liabilities at FVTPL as of 2014 and 2013.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing deposits and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial liabilities:

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Off balance sheet commitments and contingencies

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

2.10 Fair value considerations:

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

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

Due to economic conditions and volatility or low trading volumes in markets, the Group may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets, and calculation of present values on an amortized cost basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are a wide range of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

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

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

Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Fair value considerations: (cont'd)

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

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

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

2.11 Derivative financial instruments:

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

The Group's derivative transactions are mainly in the form of forwards and currency swaps.

The Group does not have any derivatives held for hedging purposes.

2.12 Investments under Resale or Repurchase Transactions:

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Loans and Allowance for Impairment Losses:

Loans are financial instruments extended by the Bank and accounted for at amortized cost using the effective interest rate method, except for certain loans wherever straight line accrual basis does not materially differ from amortized cost method.

Based on its evaluation of the current status of the loans granted, the Bank provides allowance for impairment losses on loans which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan which is not adequately collateralized or the management believing borrowers lost their creditworthiness into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

2.14 Leasing - the Group as lessor:

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Provision for doubtful finance lease receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for receivables under follow-up is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease receivables.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Leasing - the Group as Lessee:

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.16 Factoring Receivables:

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for impairment. Provision for impaired factoring receivables are recognized as an expense and written off against the profit for the year. Provision for impaired factoring receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current factoring receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Property and equipment:

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Premises and equipment are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Vehicles	20%
Machinery and equipment	20%
Furniture and fixtures	20%
Other	20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

2.18 Intangible assets:

Intangible assets of the Group consist of computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

2.19 Impairment of non-financial assets:

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Borrowing costs:

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.21 Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

2.22 Severance indemnity provision:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

2.23 Taxation and deferred income taxes:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxation and deferred income taxes (cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the period

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Business and Geographical Segments:

Business Segments

For management purposes, the Group is currently organized into the operating divisions of banking, securities brokerage, leasing and factoring. These divisions are the basis on which the Group reports its primary segment information.

Geographical Segments

The Group's operations are mainly located in Turkey.

2.25 Use of Estimates:

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

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.8.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.8. For financial instruments that require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 Use of Estimates (cont'd):

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.8.

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets and liabilities as "trading", the Group has determined that it meets the description of held for trading investments and liabilities set out in accounting policy 3.8.
- In classifying financial assets as "available for sale", the Group has determined that it meets the description of available for sale investments set out in accounting policy 3.8.

Details of the Group's classification of financial assets and liabilities are given in note 30.

2.26 Offsetting:

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.27 Client Assets:

Client assets, except for deposits accepted and other cash proceeds obtained, held under custody, in fiduciary, agency or intermediary capacity are not recognized in the accompanying consolidated financial statements as customers have ownership of such assets.

3. ADOPTION OF NEW AND REVISED STANDARDS

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 - *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

3. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 - ***Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.
- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).

  Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards

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

4. SEGMENTAL INFORMATION

Business segments

2014	Consumer/ Commercial	Corporate	Treasury/ Head Office	Total
Net interest income	23,272	11,158	13,842	48,272
Net fee and commission income	2,356	630	6,219	9,205
Foreign exchange gains / (losses), net	-	-	(2,212)	(2,212)
Trading gains and losses, net	-	-	1,148	1,148
Gains / losses from investment securities, net	-	-	84	84
Other operating income	1,297	243	3,481	5,021
Impairment losses on loans and advances, net	(1,860)	-	(3,407)	(5,267)
Other operating expenses	(15,008)	(1,361)	(35,757)	(52,126)
Profit / (Loss) before taxations	**10,057**	**10,670**	**(16,602)**	**4,125**
Income tax expense	-	-	(504)	(504)
Net profit / (Loss)	**10,057**	**10,670**	**(17,106)**	**3,621**

	Consumer/ Commercial	Corporate	Treasury/ Head Office	Total
Balance Sheet				
Total assets	**612,953**	**206,342**	**596,798**	**1,416,093**
Liabilities	605,759	198,633	424,727	1,229,119
Equity	-	-	186,974	186,974
Total liabilities and equity	**605,759**	**198,633**	**611,701**	**1,416,093**

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

4. SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

2013	**Consumer/ Commercial**	**Corporate**	**Treasury/ Head Office**	**Total**
Net interest income	10,454	6,504	15,841	32,799
Net fee and commission income	1,397	598	8,296	10,291
Foreign exchange gains / (losses), net	-	-	(6,014)	(6,014)
Trading gains and losses, net	-	-	5,309	5,309
Gains / losses from investment securities, net	-	-	942	942
Other operating income	2,298	478	2,101	4,877
Impairment losses on loans and advances, net	(1,271)	(2)	471	(802)
Other operating expenses	(12,702)	(917)	(34,956)	(48,575)
Profit / (Loss) before taxations	**176**	**6,661**	**(8,010)**	**(1,173)**
Income tax expense	-	-	308	308
Net profit / (Loss)	**176**	**6,661**	**(7,702)**	**(865)**

	Consumer/ Commercial	**Corporate**	**Treasury/ Head Office**	**Total**
Balance Sheet				
Total assets	**612,953**	**206,342**	**572,611**	**1,145,342**
Liabilities	457,088	109,270	405,850	972,208
Equity	-	-	173,134	173,134
Total liabilities and equity	**457,088**	**109,270**	**578,984**	**1,145,342**

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

5. CASH AND CASH EQUIVALENTS

	2014	2013
Cash on hand	9,510	8,537
Demand deposit with the Central Bank of Turkey	111,549	64,332
Total	**121,059**	**72,869**

a) Balances with the Central Bank

	2014	2013
Demand deposits – Turkish Lira	58,616	16,111
Demand deposits – Foreign Currency	52,933	48,221
Total	**111,549**	**64,332**

b) Reserve Deposits at the Central Bank

	2014	2013
Reserves – Turkish Lira	-	890
Reserves – Foreign Currency	68,125	46,810
Total *(Note 15)*	**68,125**	**47,700**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2013/15 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

The reserve rates for TL liabilities vary between 5.00% and 11.50% for TL deposits and other liabilities according to their maturities as of. The reserve rates for foreign currency deposits vary between 9.00% and 13.00% and for other foreign currency liabilities between 6.00% and 13.00% as of 2014.

CBRT started to pay interest for the Turkish Lira reserve since November 2014.

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

6. LOANS AND ADVANCED TO BANKS

	2014	2013
Domestic Banks		
Demand deposits – Turkish Lira	654	476
Demand deposits – Foreign currency	647	521
Time deposits – Turkish Lira	42,090	177,737
Time deposits – Foreign currency	139,448	130,930
Total	**182,839**	**309,664**
Banks Abroad		
Demand deposits – Turkish Lira	-	-
Demand deposits – Foreign currency	2,836	3,830
Total	**2,836**	**3,830**
Grand Total	**185,675**	**313,494**

The time deposits in Turkish Lira above mature within one month and earn interest at rates ranging from 4.00% to 11.10% (2013: from 2.50% to 9.50%) per annum. The time deposits in foreign currency above mature within one month and earn interest at rates ranging from 0.20% to 3.50% (2013: from 0.05% to 3.50%) per annum.

7. MONEY MARKET PLACEMENTS

	2014	2013
Funds lent under reverse repurchase agreements	8,002	6,501
Interbank placements	11,115	2,146
Total	**19,117**	**8,647**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
Trading securities	3,564	1,990
Derivative financial instruments	1,765	1,367
Total	**5,329**	**3,357**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

a) Trading Securities

	2014	2013
Government bonds and treasury bills	-	-
Corporate bonds	3,564	1,990
Equities	-	-
Total	**3,564**	**1,990**

As of 2014, the fair value of the government securities kept at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and in Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations.

b) Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments depend on movements in price in one or more underlying instruments, reference rates or indices.

Derivative financial instruments of the Group mainly include forwards, cross currency swaps and interest rate swaps.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

b) Derivative financial instruments (cont'd)

The fair values and nominal amounts of derivative instruments with their contractual maturities are set out in the following table:

	2014							
	Fair value assets	Fair value liabilities	Up to 1 month	1 to 3 months	6 to 12 months	1 to 5 years	More than 5 years	Notional amount in TL equivalent
Forward exchange contracts	**6**	**2**	**5,172**	**-**	**-**	**-**	**-**	**5,172**
Purchases	-	-	2,601	-	-	-	-	2,601
Sales	-	-	2,571	-	-	-	-	2,571
Currency swap	**1,714**	**699**	**96,285**	**12,243**	**-**	**-**	**-**	**108,528**
Purchases	-	-	47,937	6,957	-	-	-	54,894
Sales	-	-	48,348	5,286	-	-	-	53,634
Interest rate swap	**45**	**7**	**-**	**-**	**-**	**38,784**	**-**	**38,784**
Purchases	-	-	-	-	-	19,392	-	19,392
Sale	-	-	-	-	-	19,392	-	19,392
Total	**1,765**	**708**	**101,457**	**12,243**	**-**	**38,784**	**-**	**152,484**

	2013							
	Fair value assets	Fair value liabilities	Up to 1 month	1 to 3 months	6 to 12 months	1 to 5 years	More than 5 years	Notional amount in TL equivalent
Forward exchange contracts	**9**	**6**	**12,263**	**-**	**-**	**-**	**-**	**12,263**
Purchases	-	-	6,134	-	-	-	-	6,134
Sales	-	-	6,129	-	-	-	-	6,129
Currency swap	**1,239**	**-**	**9,847**	**11,689**	**-**	**-**	**-**	**21,536**
Purchases	-	-	4,978	6,403	-	-	-	11,381
Sales	-	-	4,869	5,286	-	-	-	10,155
Interest rate swap	**119**	**64**	**-**	**-**	**-**	**4,000**	**-**	**4,000**
Purchases	-	-	-	-	-	2,000	-	2,000
Sale	-	-	-	-	-	2,000	-	2,000
Total	**1,367**	**70**	**22,110**	**11,689**		**4,000**		**37,799**

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

9. LOANS AND ADVANCES TO CUSTOMERS

	2014	2013
Corporate loans	597,800	365,526
Small and medium enterprise loans	225,623	151,274
Consumer loans	6,396	5,536
Credit card receivables	1,914	2,122
Other	77,024	23,275
Subtotal	**908,757**	**547,733**
Specific allowance for impairment losses on loans	(8,313)	(6,751)
Portfolio provision for loan losses	(7,765)	(4,371)
Total	**892,679**	**536,611**

Average interest rates applied to loans and advances to customers are as follows:

2014	EUR %	USD %	TRY %
Loans and advances to customers	5.37	5.52	12.8

2013	EUR %	USD %	TRY %
Loans and advances to customers	4.73	6.03	13.82

2014	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	597,800	214,652	7,043	71,262	890,757
Past due not impaired	-	3,851	753	605	5,209
Individually impaired	-	7,120	514	5,157	12,791
Total gross	**597,800**	**225,623**	**8,310**	**77,024**	**908,757**
Less: allowance for individually impaired loans	-	4,272	74	3,967	8,313
Less: allowance for collectively impaired loans	-	-	-	7,765	7,765
Total allowance for impairment	**-**	**4,272**	**74**	**11,732**	**16,078**
Total loans (net)	**597,800**	**221,351**	**8,236**	**65,292**	**892,679**

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

9. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

2013	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	365,526	151,274	5,536	6,189	528,525
Past due not impaired	-	10,295	184	1,882	12,361
Individually impaired	-	3,885	353	2,609	6,847
Total gross	365,526	165,454	6,073	10,680	547,733
Less: allowance for individually impaired loans	-	2,906	37	3,808	6,751
Less: allowance for collectively impaired loans	-	-	-	4,371	4,371
Total allowance for impairment	**-**	**2,906**	**37**	**8,179**	**11,122**
Total loans (net)	**365,526**	**162,548**	**6,036**	**2,501**	**536,611**

Movement in allowance for the impairment losses on loans are as follows:

Specific Allowance for Individual Impairment Losses:	2014	2013
As at 1 January	6,751	6,653
Charge for the year	2,245	2,009
Reversal of impairment allowances no longer required	(683)	(1,134)
Amounts written off	-	(777)
As at 31 December	**8,313**	**6,751**

Portfolio Provisions for Loan Losses:	2014	2013
As at 1 January	4,371	3,818
Charge for the year	3,394	553
As at 31 December	**7,765**	**4,371**

A reconciliation of the allowance for individual impairment losses on loans by customer groups is as follows:

2014	Corporate	SME	Consumer	Other	Total
At January 1	-	2,906	37	3,808	6,751
Charge for the year	-	1,758	37	450	2,245
Recoveries	-	(242)		(291)	(533)
Reversal of impairment allowances no longer required	-	(150)	-	-	(150)
Amounts written-off	-	-	-	-	-
Balance as at December 31	**-**	**4,272**	**74**	**3,967**	**8,313**

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

9. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

2013	Corporate	SME	Consumer	Other	Total
At January 1	657	2,836	37	3,123	6,653
Charge for the year	-	1,248	17	744	2,009
Recoveries	-	(1,096)	(17)	(21)	(1,134)
Reversal of impairment allowances no longer required	-	-	-	-	-
Amounts written-off	(657)	(82)	-	(38)	(777)
Balance as at December 31	**-**	**2,906**	**37**	**3,808**	**6,751**

The total value of collaterals that the Group held for impaired loans as at 2014 was TL 5,882 (2013: TL 1,391). The total value of collaterals that the Group held for loans that are not impaired as at 2014 was TL 683,090 (2013: TL 480,501).

Carrying amounts per class of financial assets whose terms have been renegotiated are as follows:

	2014	2013
Corporate	145	1,164
Consumer	11	683
Total	**156**	**1,847**

10. AVAILABLE FOR SALE FINANCIAL ASSETS

	2014	2013
Government bonds and treasury bills	31,039	48,554
Private sector bonds	42,648	51,402
Equities	160	160
Total	**73,847**	**100,116**

As of 31 December 2014, the government bonds and treasury bills with fair value of TL 73,847 (2013: TL 100,116) and nominal value of TL 73,847 (2013: TL 10,116) were sold to the Group's customers under repurchase agreements. The funds collected from those repo transactions were TL 28,875 (2013: TL 43,963) and they are included in obligations under repurchase agreements.

The blocked securities kept by the Central Bank and İMKB (İstanbul Stock Exchange) Takas ve Saklama Bankası A.Ş. for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets and custody services as of 2014 and 2013 are as follows:

	2014		2013	
	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Government bonds and treasury bills	7,076	7,113	26,065	26,857

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

10. AVAILABLE FOR SALE FINANCIAL ASSETS (cont'd)

The movement in available for sale financial assets may be summarized as follows:

	2014	2013
Balance as at January 1	**100,116**	**73,135**
Additions	8,244	98,853
Disposals (sales and redemption)	(34,288)	(71,373)
Net changes in fair value	(225)	(499)
Balance as at December 31	**73,847**	**100,116**

11. LEASING RECEIVABLES

The allocation of finance lease receivables according to their maturities, excluding net of impaired lease receivables, is as follows;

2014	Finance lease receivables (Gross)	Unearned Interest	Finance lease receivables (Net)
2015	359	59	300
2016	359	19	340
2017 and later	106	16	90
Total	**824**	**94**	**730**

2013	Finance lease receivables (Gross)	Unearned Interest	Finance lease receivables (Net)
2014	1,404	-	1,404
2015	891	124	767
2016	529	74	455
2017 and later	652	91	561
Total	**3,476**	**289**	**3,187**

As at 2014 the Group's collaterals obtained for the lease receivables under follow up amounting to TL 1,564. As of 2014 the Group has no collateral obtained for the lease receivables under follow up. The Group has no collaterals obtained for the receivables that are past due but not impaired amounting.

The Group revises the estimated fair values of the collaterals taken against the receivables under follow-up based on the current market conditions and considers such revised collateral amounts when determining impairment.

As at 2014, the Group obtained guarantees (including mortgage, bank letter of guarantees, and others) from its customers amounting to TL 8,110 (2013: TL 5,517) against its lease receivables which are not under follow up.

12. FACTORING RECEIVABLES

As at 31 December 2014 and 2013, short-term and long-term factoring receivables included in the loans and receivables above are as follows:

	2014	2013
Short term	18,097	19,713
Long term	-	-
Total	**18,097**	**19,713**

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

13. PROPERTY AND EQUIPMENT

	Buildings	Vehicles	Other fixed assets	Leasehold improvements	Total
Acquisition cost					
Opening balance, 1 January 2014	14,849	146	10,576	1,825	27,396
Additions	132	-	464	172	768
Disposals	(1,383)	-	(154)	(27)	(1,564)
Closing balance, 31 December 2014	**13,598**	**146**	**10,886**	**1,970**	**26,600**
Accumulated depreciation					
Opening balance, 1 January 2014	6,405	126	9,138	1,265	16,934
Charge for the year	268	9	508	276	1,061
Disposals	(2)	-	(149)	(2)	(153)
Closing balance, 31 December 2014	**6,671**	**135**	**9,497**	**1,539**	**17,842**
Net book value as of 2014	**6,927**	**11**	**1,389**	**431**	**8,758**

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

13. PROPERTY AND EQUIPMENT (cont'd)

	Buildings	Vehicles	Other fixed assets	Leasehold improvements	Total
Acquisition cost					
Opening balance, 1 January 2013	13,643	145	10,466	1,491	25,745
Additions	3,670	36	308	334	4,348
Disposals	(2,464)	(35)	(198)	-	(2,697)
Closing balance, 31 December 2013	**14,849**	**146**	**10,576**	**1,825**	**27,396**
Accumulated depreciation					
Opening balance, 1 January2013	6,138	125	8,613	1,074	15,950
Charge for the year	267	1	697	191	1,156
Disposals	-	-	(172)	-	(172)
Closing balance, 31 December 2013	**6,405**	**126**	**9,138**	**1,265**	**16,934**
Net book value as of 2013	**8,444**	**20**	**1,438**	**560**	**10,462**

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

14. INTANGIBLE ASSETS

	Software	Total
Acquisition cost		
Opening balance, 1 January 2014	4,906	4,906
Additions	3,375	3,375
Disposals	(9)	(9)
Closing balance, 31 December 2014	**8,272**	**8,272**
Accumulated amortization		
Opening balance, 1 January 2014	3,419	3,419
Charge for the year	694	694
Disposals	(8)	(8)
Closing balance, 31 December 2014	**4,105**	**4,105**
Net book value as of, 2014	**4,167**	**4,167**

	Software	Total
Acquisition cost		
Opening balance, 2013	4,442	4,442
Additions	1,033	1,033
Disposals	(569)	(569)
Closing balance, 1 January 2013	4,906	4,906
Accumulated amortization		
Opening balance, 2013	3,532	3,532
Charge for the year	456	456
Disposals	(569)	(569)
Closing balance, 31 December 2013	**3,419**	**3,419**
Net book value as of 2013	**1,487**	**1,487**

Estimated useful lives for intangible assets vary between three to fifteen years.

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

15. OTHER ASSETS

	2014	2013
Restricted amounts held with Central Bank	68,125	47,700
Clearance account	10,453	14,895
Cash advances given	1,008	561
Prepaid rent expense	189	144
Customer collateral	1,042	5,416
Other	3,015	4,358
Total	**83,832**	**73,074**

16. DEPOSITS

2014	Time	Demand	Total
TL Deposit	**325,933**	**22,738**	**348,671**
Savings deposits	192,672	9,206	201,878
Commercial deposits	44,850	13,181	58,031
Deposit from banks	88,411	351	88,762
Foreign banks	*12,355*	*329*	*12,684*
Domestic banks	*76,056*	*22*	*76,078*
FC deposits	**514,820**	**41,632**	**556,452**
Savings deposits	-	-	-
Commercial deposits	385,704	40,104	425,808
Deposit from banks	129,116	1,528	130,644
Foreign banks	*97,442*	*1,528*	*98,970*
Domestic banks	*31,674*	-	*31,674*
Total	**840,753**	**64,370**	**905,123**

Average interest rate for the deposits is 8.16% per annum for Turkish Lira deposits. For foreign currency deposits the average interest rate is 1.89% for US Dollar deposits and 1.92% for Euro deposits (2013: 7.13% for Turkish Lira deposits, 2.31% for US Dollar deposits and 2.36% for Euro deposits).

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

16. DEPOSITS (cont'd)

2013	**Time**	**Demand**	**Total**
TL Deposit	**199,734**	**37,554**	**237,288**
Savings deposits	161,667	6,454	168,121
Commercial deposits	30,185	8,541	38,726
Deposit from banks	7,882	22,559	30,441
Foreign banks	*7,882*	*22,298*	*30,180*
Domestic banks	*-*	*261*	*261*
FC deposits	**382,108**	**25,408**	**407,516**
Savings deposits	-	-	-
Commercial deposits	249,536	21,616	271,152
Deposit from banks	132,572	3,792	136,364
Foreign banks	*67,164*	*3,792*	*70,956*
Domestic banks	*65,408*	*-*	*65,408*
Total	**581,842**	**62,962**	**644,804**

17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS AND MONEY MARKET FUNDING

	2014	**2013**
Funds lent under reverse repurchase agreements	28,875	43,963
Interbank placements	6,600	5,594
Total	**35,475**	**49,557**

18. FUNDS BORROWED

	2014	**2013**
Borrowings from abroad:		
Foreign banks – TL short-term	3,032	1,359
Foreign banks – FC short-term	6,884	18,587
Total	**9,917**	**19,946**
Local bank borrowings:		
Borrowings from local banks – TL short term	22,101	20,775
Borrowings from local banks – FC short term	172,887	134,630
Total	**194,987**	**155,405**
Grand Total	**204,904**	**175,351**

The interest rates for TL borrowings are between 5.53% and 9.21% (2013: 5.00% and 9.75%) while interest rates for foreign currency borrowings are between 0.15% and 3.67% (2013: 0.15% and 3.67%).

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

19. DEBT SECURITIES ISSUED

	Maturity Date	2014	2013
TRY 15 million of bonds with a coupon rate of 9.53%	23 January 2014	-	14,918
TRY 33.7 million of bonds with a coupon rate of 9.24%	03 April 2014	-	32,769
TRY 26.4 million of bonds with a coupon rate of 9.24%	03 April 2014	-	26,731
TRY 16.7 million of bonds with a coupon rate of 10.33%	27 Mar 2015	16,293	-
TRY 6 million of bonds with a coupon rate of 10.03%	27 Mar 2015	4,997	-
TRY 10.7 million of bonds with a coupon rate of 8.86%	15 May 2015	10,780	-
TRY 19.3 million of bonds with a coupon rate of 9.03%	15 May 2015	18,713	-
TRY 3.8 million of bonds with a coupon rate of 10.03%	28 September 2015	3,835	-
TRY 3.2 million of bonds with a coupon rate of 10.54%	28 September 2015	3,231	-
Total		**57,849**	**74,418**

20. TAXATION

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2014 is 12 % for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2014 is 20% (2013: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

20. TAXATION (cont'd)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate.

Corporate Tax (cont'd)

Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

In the accompanying consolidated financial statements corporate tax and deferred tax asset/liability are comprised of the following:

Balance Sheet: Corporate tax

	2014	2013
Corporate tax provision	3,157	2,011
Prepaid taxes	(128)	(322)
Net corporate tax payable	**3,029**	**1,689**

Income Statement

	2014	2013
Current income tax charge	(914)	(134)
Deferred tax benefit	410	442
Total	**(504)**	**308**

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

20. TAXATION (cont'd)

Total charge for the year can be reconciled to the accounting profit as follows:

	2014	2013
Profit before income/(expense) tax	**4,125**	**(1,173)**
Taxes on income per statutory tax rate	(825)	234
Disallowable expenses	16	46
Other	305	28
Total	**(504)**	**308**

Deferred Income Tax

Temporary differences and corresponding deferred taxes are as follows:

		2014		2013
	Temporary Differences	Deferred Tax Asset / (Liability)	Temporary Differences	Deferred Tax Asset / (Liability)
Loan loss impairment provision	7,765	1,553	4,371	874
Employee benefits	3,235	647	2,125	425
Carry forward tax losses	2,715	543	5,595	1,119
Difference between carrying value and tax base of property and equipment	875	175	625	125
Court case provision	100	20	100	20
Deferred income tax assets	**14,690**	**2,938**	**12,816**	**2,563**
Valuation differences on investment securities	(675)	(135)	(1,190)	(238)
Deferred income tax liabilities	**(675)**	**(135)**	**(1,190)**	**(238)**
Deferred income tax assets, net	**14,015**	**2,803**	**11,626**	**2,325**

The movement of net deferred tax assets can be presented as follows:

	2014	2013
Deferred tax assets, net at 1 January	**2,325**	**1,618**
Deferred tax recognized in the profit or loss	410	442
Deferred income tax recognized in other comprehensive income	68	265
Deferred tax assets, net at 31 December	**2,803**	**2,325**

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

21. EMPLOYEE BENEFITS AND OTHER PROVISIONS

	2014	**2013**
Provision for severance indemnity	1,139	735
Provision for unused vacation	436	327
Other short-term employee benefit provision	1,637	576
Total provisions	**3,212**	**1,638**

Provision for severance indemnity

Under Turkish Labour Law, The Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their severance indemnity provisions who retired by gaining right to receive severance indemnity provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated. 2422 numbered. 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of full TL 3,438.22 (2013: full TL 3,254.44) for each period of service at 2014.

The liability of employee termination benefits is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 (Employee Benefits) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.00% discount rate of 8.00% and real discount rate of approximately 2.86% (2013: annual inflation rate of 6.00%, discount rate of 10.00% and real discount rate of approximately 3.77%). Anticipated turnover rate is also included in the calculation.

The movement for the provision for the severance indemnity

	2014	**2013**
Balance as at January, 1	**735**	**743**
Payments made during the year	(564)	(441)
Service cost	268	89
Interest cost	82	93
Actuarial gain/(losses)	616	(54)
Gain/(losses) due to payments / discharge	2	305
Balance as at December, 31	**1,139**	**735**

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

22. OTHER LIABILITIES

	2014	2013
Clearance account	11,486	15,684
Unearned income	357	251
Cash guarantees received from Turkish Derivative Exchange Market customers	81	70
Other	6,895	8,676
Total	**18,819**	**24,681**

23. EQUITY

Share capital:

		2014		2013
Shareholders	%		%	
Özyol Holding A.Ş.	58.92	103,114	57.05	94,132
National Bank of Kuwait	34.29	60,000	36.37	60,000
Mehmet Tanju Özyol	5.66	9,910	5.48	9,047
Others	1.13	1,976	1.10	1,821
Nominal Value	**100**	**175,000**	**100**	**165,000**
Effect of inflation		6,868		6,868
Total		**181,868**		**171,868**

At the extraordinary general meeting of the Bank held on 25 May 2012, the following decisions have been made by the majority of votes:

- The Bank’s paid in capital amounting to TL 80,000 will be increased to TL 175,000 and TL 70,000 of the increased amount will be covered by internal resources, including TL 37,448 of Share Premiums, TL 19,032 of Inflation Difference, TL 13,520 of Extraordinary Reserves and the remaining amount, which equals to TL 25,000, will be covered in cash; and
- TL 25,000 of cash of which is the committed part of the capital increase will include TL 7,500 of payment in June 2012 and April 2013 (totalling to TL 15,000) and TL 10,000 of payment in April 2014 with reserving the Bank’s General Assembly’s earlier payment call right.

Procedures both related to TL 70,000 of the increased capital amount which will be covered by internal resources. The first and the second portion of the capital increase, amounting to TL 7,500 respectively, were completed upon the Banking Regulation and Supervision Agency’s approvals as of 10 August 2012 and 3 July 2013, respectively the third part of the capital increase, amounting to TL 10,000complated as of 30 April 2014 and the amounts are recognized in the Bank’s financial statements upon the Banking Regulation and Supervision Agency’s approvals as of 4 June 2014.

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

23. EQUITY (cont'd)

Since one of the Bank's main shareholder's, namely National Bank of Kuwait, did not participate in the capital increase, its interest in the Bank's paid in capital as of the balance sheet date is decreased to 34.29% (2013: 36.37%) and subsequent to the payment of TL 17,500 of the remaining capital increase commitment by the shareholders, its interest will decrease to 34.29%. Accordingly, as of the balance sheet date, other main shareholders', namely Özyol Holding A.Ş and Mehmet Tanju Özyol, interests in the paid in capital is increased to 58.92% (2013: 57.05%) and 5.33% (2013: 5.17%), respectively subsequent to their contribution to the capital increase. Following the full capital commitment payment, their interests will be increased to 58.92% and 5.66%, respectively.

After the capital increase, the Bank's paid in capital consists of 17.500.000.000 shares having a unit nominal value of 0.01 (in full TL) (2013: TL 0.01; 15.750.000.000 shares).

Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Retained earnings comprise the actuarial losses recognized from the retirement benefit obligation amounting to TL 449 (2013: TL 44 gain).

24. NET INTEREST INCOME

	2014	2013
Interest income from		
Loans and advances to customers	80,706	43,486
Loans and advances to banks	3,989	6,723
Money market transactions	1,039	793
Trading Investments	10,030	6,675
Interest on lease	438	377
Other interest income	4,005	3,743
Total interest income	**100,207**	**61,797**
Interest expense from		
Deposit from customers and banks	(38,033)	(21,877)
Other borrowed funds	(7,387)	(3,498)
Obligations under repurchase agreements and money market funding	(2,099)	(1,385)
Issued debt securities	(4,336)	(2,182)
Other interest expenses	(80)	(56)
Total interest expenses	**(51,935)**	**(28,998)**
Net interest income	**48,272**	**32,799**

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

25. NET TRADING INCOME

	2014	2013
Gains	**722,242**	**410,139**
Investment securities	127	1,090
Derivatives	17,446	24,868
Foreign exchange	704,669	384,181
Losses (-)	**723,222**	**409,902**
Investment securities	43	148
Derivatives	16,298	19,559
Foreign exchange	706,881	390,195

Total gains and losses, net		
Gains from investment securities, net	84	942
Trading gains and losses, net	1,148	5,309
Foreign exchange gains and losses, net	(2,212)	(6,014)
Total	**(980)**	**237**

26. OTHER OPERATING INCOME

	2014	2013
Income from the sale of assets	2,228	1,700
Income related to previous year	56	270
Other	2,439	3,614
Total	**4,723**	**5,584**

27. OTHER OPERATING EXPENSES

	2014	2013
Wages and salaries	22,849	26,517
Rent expenses	5,018	4,667
Taxes other than income	3,409	3,144
Communication expenses	1,907	1,281
Depreciation and amortization	1,794	1,626
Professional fees and consultancy	2,033	1,759
Saving deposit insurance fund premium	786	669
Repair and maintenance expenses	363	419
Retirement benefit costs	352	182
Marketing and sales expenses	133	31
Other	13,482	8,280
Total	**52,126**	**48,575**

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

28. COMMITMENTS AND CONTINGENCIES

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated financial statements, including letters of guarantee. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

	2014	**2013**
Letters of guarantee	143,569	84,378
Foreign currency	*46,058*	*36,312*
TL	*97,511*	*48,066*
Letters of credit	39,413	2,862
Other guarantees	-	1,312
Derivative financial instruments *(Note 26)*	147,312	26,778
Other commitments	64,806	59,510
Total	**395,100**	**174,840**

The Bank has extended TL 380 of non-cash loans to related parties (2013: TL 10).

The Group provides custody service on behalf and account of its customers. The value of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TL 148,132 at 2014 (2013: TL 154,696).

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

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The main shareholders of the Group are Özyol Holding and National Bank of Kuwait. For the purpose of these consolidated financial statements, associates, shareholders, Özyol Group companies, and National Bank of Kuwait Group entities are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at year-ends and related expense and income for the years are as follows:

	2014	**2013**
Balance Sheet:		
Loans and advances to customers	181	-
Deposits	4,825	53,391
Other funds borrowed	50,677	22,928

	2014	**2013**
Income Statement:		
Interest expense on funds borrowed and deposits	14	112
Fee and commission income	-	1

The remuneration of members of Board of Directors and other members of key management; comprising mainly of salaries and other short-term benefits for the current period is TL 996 (2013: TL 1,050).

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

30. FINANCIAL RISK MANAGEMENT

The Group has a Risk Management Group and is functionally independent of risk creating divisions. The Risk Management Group is responsible for identifying and analysing the exposed risks, carrying risk policies and strategies, setting limits in activities to control these risks and finally measuring these risks. The Executive Committee is the party that submits risk strategies and policies to the Board of Directors.

The Value-at-Risk measurement is used in line with local requirements of the capital adequacy calculation.

Risks emerging in the Group's business and activities are defined as credit risk, market risk, currency risk, interest rate risk, liquidity risk and operational risk, but all are considered as a whole for management purposes.

Capital management

When managing the capital the Group aims to comply with the capital requirements set by the regulators of the banking market where the Parent Bank operates; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and to maintain a strong capital base to support the development of its business.

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if banks operate in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The Group's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, in accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Group's regulatory capital position on a consolidated basis is as follows:

	2014	**2013**
Tier I capital	178,951	170,590
Tier II capital	7,765	3,972
Deductions	-	(26)
Total regulatory capital	**186,716**	**174,536**
Amount subject to credit risk	82,157	63,505
Amount subject to market risk	925	2,114
Amount subject to operational risk	7,870	7,773
Capital adequacy ratio (%)	**16.42**	**19.03**

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit exposure arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities into the Group's asset portfolio. There is also credit risk in off balance sheet financial instruments, such as loan commitments.

The Group determines the credit limits and restricts extension of loans and advances exceeding predetermined credit limits. The credit limits are determined for individual customers, companies, group of companies and risk groups separately for each type of product by taking into account the borrowers' financial structure, some qualitative criteria and the quality of the guarantees.

Counterparty limits are monitored on a consolidated basis. In accordance with the Group's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are monitored. The credit risks and limits relate to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the accepted risk level in relation to equity are monitored daily.

Group policy requires a review of the level of impairment allowance at least on a quarterly basis. Impairment allowances on individually assessed accounts are determined by evaluation of the exposure on a case by case basis. This will normally include a review of the collateral held and the assessment of actual and anticipated receipts. In addition a portfolio based assessment is also made for homogeneous groups of credit.

The Group uses its own internal rating system, which takes into account various financial and non-financial indicators for the evaluation of corporate and also guarantees. This system helps make decisions of allocating credit limits and accepted guarantees. The cash loans rated according to the possibility of being in default are classified from the highest grade to the lowest as below:

Basic Loan Quality Categories	2014	2013
	% In Total Loans	**% In Total Loans**
High grade	13.58	10.78
Standard grade	85.00	87.29
Sub-standard grade	0.57	1.13
Impaired	0.85	0.80
Total	**100.00**	**100.00**

Category "high" shows that the debtor has a strong financial structure, "standard" shows the debtor's financial structure is good enough while "sub-standard" category shows that debtor's financial structure is under risk in the short and medium term.

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

Sectorial concentration of the Group's cash loans are as follows:

	2014		2013	
Sector		**(%)**		**(%)**
Agriculture	9,953	1.12	3,885	0.72
Mining and quarrying	2,716	0.30	2,594	0.48
Manufacturing industry	19,060	2.14	20,109	3.75
Construction	108,237	12.12	40,361	7.52
Wholesale and Retail Trade	4,171	0.47	3,151	0.59
Hotel, Tourism, Food and Beverage Services	46,124	5.17	59,757	11.14
Transportation	77,755	8.71	45,464	8.47
Financial institutions	197,116	22.08	132,319	24.66
Other	427,547	47.89	228,971	42.67
Performing loans	892,679		536,611	100
Non-performing loans				
Total loans and advances to customer	12,791		10,326	
Allowance for loan losses	8,313		6,751	
Net loans and advances to customers	897,157		540,186	

Sectorial concentration of the Group's non-cash loans and commitments are as follows:

	2014		2013	
Sector		**(%)**		**(%)**
Financial institutions	68,420	33.76	36,770	39.38
Manufacturing industry	53,182	26.24	20,293	21.73
Wholesale and Retail Trade	8,744	4.31	21	0.02
Construction	8,239	4.07	21,644	23.18
Agriculture	1,817	0.90	283	0.30
Transportation	1,283	0.63	1,975	2.12
Hotel, Tourism, Food and Beverage Services	589	0.29	1,545	1.65
Mining and quarrying	230	0.11	2,557	2.74
Other	60,166	29.69	8,280	8.87
Total	**202,670**	**100**	**93,368**	**100**

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

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

	2014	2013
Balances with the Central Bank	189,184	120,569
Balances with banks	185,675	313,494
Money market placements	19,117	8,647
Financial assets at fair value through profit and loss	5,329	3,357
Loans and receivables	892,679	536,611
Leasing receivables	730	3,187
Factoring receivables	18,097	19,713
Financial assets available for sale	73,847	100,116
Other	96,545	84,074
Total	**1,481,203**	**1,189,768**
Non cash loans and commitments	202,670	93,368
Total	**202,670**	**93,368**

Credit quality per class of financial assets as of 2014 and 2013 are as follows:

2014	Neither past due nor impaired	Past due or individually impaired	Total
Loans (*)			
Corporate loans	597,800	-	597,800
Small business lending	214,652	6,699	221,351
Consumer loans	7,043	1,163	8,206
Other	63,497	1,825	65,322
Total	**882,992**	**9,687**	**892,679**

2013	Neither past due nor impaired	Past due or individually impaired	Total
Loans (*)			
Corporate loans	365,526	-	365,526
Small business lending	151,274	11,274	162,548
Consumer loans	5,536	500	6,036
Other	1,818	683	2,501
Total	**524,154**	**12,457**	**536,611**

(*) Includes Loans and Advances to Customers, Leasing Receivables and Factoring Receivables and excludes portfolio provision for loan losses.

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

Fair value of collaterals for the impaired loans are as follows:

Type of Collaterals	2014	2013
Real-estate mortgage	5,714	1,391
Other	7,077	8,935
Total	**12,791**	**10,326**

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements when due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk occurs when there is insufficient amount of cash inflows to fulfil the cash outflows completely on time.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 1, 2007. "Measurement and Assessment of the Adequacy of Banks' Liquidity". The weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100% respectively. The ratios realized during the year 2014 and 2013 are as follows:

	First Maturity Bracket (Weekly)		First Maturity Bracket (Weekly)	
	Current Period		Prior Period	
	FC	FC + TL	FC	FC + TL
Average (%)	215.37	241.23	162.45	161.05

	Second Maturity Bracket (Monthly)		Second Maturity Bracket (Monthly)	
	Current Period		Prior Period	
	FC	FC + TL	FC	FC + TL
Average (%)	102.16	141.94	116.59	138.58

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

2014	Demand	Up to 1 Month	1 to 3 Month	3 to 12 Month	1 to 5 Year	Over 5 Year	Unallocated	Total
ASSETS								
Cash and balances with the Central Bank of Turkey	62,459	58,600	-	-	-	-	-	121,059
Balances with banks	4,137	176,787	4,751	-	-	-	-	185,675
Interbank money market placements	-	17,116	2,001	-	-	-	-	19,117
Financial assets at fair value through profit or loss (net)	-	47	2,677	1,524	1,081	-	-	5,329
Derivative financial assets	-	-	2,005	24,639	47,043	-	160	73,847
Loans and advances to customer	-	225,084	94,676	251,114	238,975	78,418	4,412	892,679
Leasing receivables(net)	71	150	-	509	-	-	-	730
Factoring Receivables (net)	405	1,464	15,488	740	-	-	-	18,097
Property and equipment (net)	-	-	-	-	-	-	8,758	8,758
Intangible assets (net)	-	-	-	-	-	-	4,167	4,167
Other assets	2,658	-	-	-	-	-	81,174	83,832
Deferred tax asset (net)	-	-	-	-	-	-	2,803	2,803
Total Assets	**69,730**	**479,248**	**121,598**	**278,526**	**287,099**	**78,418**	**101,474**	**1,416,093**
LIABILITIES								
Deposits	64,368	519,389	274,223	47,056	87	-	-	905,123
Obligations under repurchase agreements and money market funding	-	31,898	-	-	-	-	3,577	35,475
Other borrowed funds	-	76,300	48,210	80,394	-	-	-	204,904
Derivative financial liabilities	-	-	-	-	-	-	-	-
Issued debit Securıtıes	-	-	21,290	36,559	-	-	-	57,849
Factoring payables	-	-	-	-	-	-	-	-
Corporate tax payable	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-
Other liabilities	19,751	465	251	-	7	-	192,268	212,742
Share capital	-	-	-	-	-	-	-	-
Unrealized gains/(losses)	-	-	-	-	-	-	-	-
Legal reserves	-	-	-	-	-	-	-	-
Other reserves and retained earnings	-	-	-	-	-	-	-	-
Total liabilities	**84,119**	**628,052**	**343,974**	**164,009**	**94**	**-**	**195,845**	**1,416,093**
Net liquidity gap	**(14,389)**	**(148,804)**	**(222,376)**	**114,517**	**287,005**	**78,418**	**(94,371)**	**-**
As at 2013								
Total assets	80,191	344,568	88,549	193,304	249,539	81,279	107,912	1,145,342
Total liabilities	73,267	474,754	226,872	180,247	3,958	44	186,200	1,145,342
Net liquidity gap	**6,924**	**(130,186)**	**(138,323)**	**13,057**	**245,581**	**81,235**	**(78,288)**	**-**

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

Analysis of financial liabilities by the remaining contractual maturities:

2014	On Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Adjustments	Total
Obligations under repurchase agreements and money market funding	3,577	31,917	-	-	-	-	(19)	35,475
Deposits from banks	1,877	184,101	33,707	-	-	-	(280)	219,405
Deposit from customers	62,491	336,303	242,214	48,064	89	-	(3,443)	685,718
Other borrowed funds	-	76,392	48,413	81,398	-	-	(1,299)	204,904
Issued debt securities	-	-	21,680	37,320	-	-	(1,151)	57,849
Total	**67,945**	**628,713**	**346,014**	**166,782**	**89**	**-**	**(6,192)**	**1,203,351**

2013	On Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Adjustments	Total
Obligations under repurchase agreements and money market funding	-	49,584	-	-	-	-	(27)	49,557
Deposits from banks	26,351	120,655	18,091	2,129	-	-	(421)	166,805
Deposit from customers	35,376	213,723	199,649	30,371	105	42	(1,267)	477,999
Other borrowed funds	-	96,906	1,422	74,990	3,909	-	(1,876)	175,351
Issued debt securities	-	-	-	77,409	-	-	(2,991)	74,418
Total	**61,727**	**480,868**	**219,162**	**184,899**	**4,014**	**42**	**(6,582)**	**944,130**

Analysis of contractual expiry by maturity of the Group's derivative financial instruments:

2013	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	More than 5 Years	Total
Interest rate swap purchase	-	-	-	2,000	-	2,000
Interest rate swap sale	-	-	-	2,000	-	2,000
Currency swap purchase	4,978	-	-	6,403	-	11,381
Currency swap sale	4,870	-	-	5,285	-	10,155
Forward exchange rate contracts purchase	6,326	-	-	-	-	6,326
Forward exchange rate contracts sale	5,937	-	-	-	-	5,937
Total	**22,111**	**-**	**-**	**15,688**	**-**	**37,799**

30. FINANCIAL RISK MANAGEMENT (cont'd)

Market risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The Group considers currency risk and interest rate risk as the most important constituents of market risk. These are different levels of cut-loss and cut-profit policies to control the risks that may come from the fluctuations in the market.

Other than treasury bill positions, the Group places and borrows funds on a very short term basis, mostly on overnight, keeping the market risk of these transactions at minimum level. Thus, the Group acts quickly to any unexpected fluctuation in the market.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in the prices of financial instruments such as government bonds and treasury bills. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

In case of any transactions that are exposed to interest rate risk, cut-loss policies are in place to control this risk. Interest rate risk is controlled and analysed by duration analysis. Furthermore, various simulation techniques are employed in order to analyse the effects of market volatilities on the Group's balance sheet.

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

2014	Up to 1 Month	1 to 3 Month	3 to 12 Month	Over 1 Year	Non-interest bearing	Total
ASSETS						
Cash and balances with the Central Bank of Turkey	58,600	-	-	-	130,584	189,184
Balances with banks	176,845	4,751	-	-	4,079	185,675
Interbank money market placements	17,116	2,001	-	-	-	19,117
Financial assets at fair value through profit or loss (net)	85	2,684	1,524	1,036	-	5,329
Derivative financial assets	43,892	27,768	2,027	-	160	73,847
Loans and advances to customer	524,443	59,257	173,037	133,094	2,848	892,679
Leasing receivables(net)	150	-	509	-	71	730
Factoring Receivables(net)	1,464	15,488	740	-	405	18,097
Investment securities (net)	-	-	-	-	-	-
Premises and equipment (net)	-	-	-	-	8,758	8,758
Intangible assets (net)	-	-	-	-	4,167	4,167
Other assets	2,256	-	-	878	12,573	15,707
Deferred tax asset (net)	-	-	-	-	2,803	2,803
Total Assets	**824,851**	**111,949**	**177,837**	**135,008**	**166,448**	**1,416,093**
LIABILITIES						
Deposits	457,039	330,066	53,561	87	64,370	905,123
Obligations under repurchase agreements and money market funding	-	-	-	-	-	-
Interbank money market borrowings	31,898	-	-	-	3,577	35,475
Other borrowed funds	76,296	48,214	80,394	-	-	204,904
Derivative financial liabilities	-	-	-	-	-	-
Issued debit Securıtıes	-	35,904	21,945	-	-	57,849
Other liabilities	20,324	252	-	-	192,166	212,742
Total liabilities	**585,557**	**414,436**	**155,900**	**87**	**260,113**	**1,416,093**
Net interest sensitivity gap	**239,294**	**(302,487)**	**21,937**	**134,921**	**(93,665)**	**-**
As at 2013						
Total assets	205,714	183,297	180,223	340,305	235,803	1,145,342
Total liabilities	131,825	242,485	301,232	272,060	197,740	1,145,342
Net interest sensitivity gap	**73,889**	**(59,188)**	**(121,009)**	**68,245**	**38,063**	**-**

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

As at 2014 and 2013, summary of average interest rates for different assets and liabilities are as follows:

	2014			2013		
	EURO %	**USD %**	**TL %**	**EURO %**	**USD %**	**TL %**
Assets						
Cash and balances with the Central Bank of Turkey	-	-	1.09	-	-	-
Loans and advances to banks	0.1	0.22	10.87	-	2.23	7.63
Money market placements	-	-	-	-	-	-
Available for sale Assets	-	-	9.28	-	-	9.68
Loans and advances to customer	5.37	5.52	12.8	4.73	6.03	13.82
Leasing receivables	7.14	5.58	14.2	6.12	7.34	14.55
Factoring receivables	-	-	15.94	-	-	16.36
Liabilities						
Deposits from banks	1.49	1.1	10.78	2.28	2.09	7.31
Deposits from customers	2.16	2.06	9.85	2.05	2.16	7.22
Obligations under repurchase agreements and money market funding	-	-	8.27	-	-	5.64
Issued debit Securıtıes	-	-	11.72	-	-	8.89
Other Borrowed funds	2.35	2.42	8.31	2.18	2.6	6.05

Interest Rate Sensitivity:

The Group ensures that the risk remains within the predefined limits although the Group is exposed to structural interest rate risk on the statement of financial position due to the nature of its existing activities.

The Bank applies interest sensitivity scenarios with the changes in the interest rate and interest margins, so as to calculate the impact on the income statement and the shareholder's equity.

		2014		2013	
Type of currency	**Shocks Applied (+ / - basis point)**	**Gains/Losses**	**Gains/ Equity-Losses/ Equity**	**Gains/Losses**	**Gains/ Equity-Losses/ Equity**
TL	(+) 500	69	%0.0	(13,947)	(%7.99)
TL	(-) 400	900	%0.5	12,865	%7.37
USD	(+) 200	(3,074)	(%1.6)	(255)	(%0.15)
USD	(-) 200	3,670	%1.9	246	%0.14
EUR	(+) 200	(8,652)	(%4.6)	(672)	(%0.38)
EUR	(-) 200	8,721	%4.6	514	%0.29
Total (for negative shocks)		**13,291**	**%7.0**	**13,625**	**%7.80**
Total (for positive shocks)		**(11,657)**	**(%6.2)**	**(14,874)**	**(%8.52)**

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. Long and short exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. Currency risk is also controlled through keeping a short position within local requirements.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The tables below summarize the Group's exposures to foreign currency exchange rate risk at 2014 and 2013. Included in the table are the Group's assets and liabilities and equity at carrying amounts, categorized by currency.

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Foreign currency position of the Group is as follows:

2014	EURO	USD	Other Foreign Currencies	Total
ASSETS				
Cash and balances with the Central Bank of Turkey	3,075	46,618	9,567	59,260
Loans and advances to banks	21,782	89,373	31,776	142,931
Money market placements	-	-	-	-
Financial assets at fair value through profit or loss (net)	-	-	-	-
Derivative financial assets	-	-	-	-
Loans and advances to customer	231,689	234,699	375	466,763
Leasing receivables	406	15	-	421
Other assets	-	69,051	-	69,051
Total	**256,952**	**439,756**	**41,718**	**738,426**
LIABILITIES				
Deposits	241,700	241,563	73,189	556,452
Obligations under repurchase agreements and money market funding	-	-	-	-
Other Borrowed funds	13,218	165,654	899	179,771
Derivative financial liabilities	-	-	-	-
Issued debit Securıtıes	1,236	2,764	640	4,640
Corporate tax payable	-	-	-	-
Employee benefits and other provisions	-	-	-	-
Other liabilities	72	339	-	411
Total	**256,226**	**410,320**	**74,728**	**741,274**
Net balance sheet position	**726**	**29,436**	**(33,010)**	**(2,848)**
Off-balance sheet position				
Net notional amount of derivatives	(564)	(26,006)	33,116	6,546
As at 2013				
Total assets	182,682	332,143	50,336	565,161
Total liabilities	181,307	339,873	44,147	565,327
Net balance sheet position	**1,375**	**(7,730)**	**6,189**	**(166)**
Off-balance sheet position				
Net notional amount of derivatives	(1,336)	3,382	(5,561)	(3,515)

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Foreign Currency Sensitivity:

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase USD and EUR in profit or loss and other equity where the TL strengthens against USD, EUR and GBP.

	Change in currency rate in %		Effect on profit or loss		Effect on equity	
			2014	2013	2014	2013
USD	10	Increase	343	(435)	-	-
USD	10	Decrease	(343)	435	-	-
EUR	10	Increase	16	4	-	-
EUR	10	Decrease	(16)	(4)	-	-

The Group's sensitivity to foreign currency rates has not changed much during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving job technology and job definitions, establishing the necessary internal controls and various insurances are employed as the main methods. The internal control and audit mechanism contributes greatly to the management of operational risk.

For the regulatory purposes and consideration in statutory capital adequacy ratio, on a consolidated base the Group calculates the amount subject to operational risk with the basic indicator method in accordance with the Section 4 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No, 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2013, 2012 and 2011, as of 31 December 2014.The total amount subject to operational risk is calculated as TL 98,375 (2013: TL 97,163) and the amount of the related capital requirement is TL 7,870 (2013: TL 7,773).

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments

As at 2014 and 2013, fair values of financial assets and liabilities are as follows:

	Carrying Value		Fair Value	
	2014	**2013**	**2014**	**2013**
Financial Assets				
Financial assets at fair value through profit or loss				
- Trading securities	3,564	1,990	3,564	1,990
- Derivative financial instruments	1,765	1,367	1,765	1,367
Available-for-sale financial assets	73,847	100,116	73,847	100,116
Loans (*)	892,679	536,611	881,441	524,728
Total	**971,855**	**640,084**	**960,617**	**628,201**
Financial Liabilities				
Deposits from banks	219,405	166,805	219,496	166,805
Deposit from customers	685,718	477,999	686,791	477,999
Other borrowed funds	204,904	175,351	206,047	175,351
Derivative financial instruments	708	70	708	70
Issued debt securities	57,849	74,418	56,941	74,711
Total	**1,168,584**	**894,643**	**1,169,983**	**894,936**

(*) Non performing loan amounts are not taken into consideration

The fair value of available for sale securities is based on market prices. Where market prices are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of deposits with no stated maturity, floating rate placements and overnight deposits is their carrying amount. The estimated fair value of bank deposits and customer deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost are considered to approximate their respective carrying values due to their short-term nature.

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

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following hierarchy of method:

- **Level 1:** This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Bank's portfolio.
- **Level 2:** This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

	Level 1		**Level 2**		**Level 3**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Financial Assets						
Financial assets at fair value through profit or loss	3,564	1,990	1,765	1,367	-	-
Available-for-sale financial assets	73,687	91,295	-	8,661	-	-
Total	**77,251**	**93,285**	**1,765**	**10,028**	**-**	**-**
Financial Liabilities						
Financial liabilities at fair value through profit or loss	-	-	708	70	-	-
Total	**-**	**-**	**708**	**70**	**-**	**-**

(*) No fair value disclosures are provided for equities of 160 TL that are measured at cost because their value cannot be measured reliably.

No securities were transferred from Level 1 to Level 2 of the fair value hierarchy in 2014.

31. SUBSEQUENT EVENTS

According to the press release of the Central Bank of the Republic of Turkey CUS dollars denominated required reserves, reserve options and free reserves held at the Central Bank of the Republic of Turkey remunerated. The implementation started as of May 5th, 2015. The remuneration (interest) rate set on a daily basis by taking global and local financial markets conditions into account. The rate announce at 9.30am local time through Anadolu Agency DV008 and Reuters CBTB pages.

According to Banking Regulation and Supervision Agency ("BRSA") approval as of May 21, 2015, the parent Bank obtained the licence for the factoring operations and activities.