NURUL YATIRIM BANKASI ANONİM ŞİRKETİ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nurol Yatırım Bankası Anonim Şirketi

1. We have audited the accompanying financial statements of Nurol Yatırım Bankası Anonim Şirketi ("the Bank"), which comprise the statement of financial position as of 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management responsibility for the financial statements

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

Auditors' responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Deloitte.

Opinion

5. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to the following matter:

6. As indicated in Note 26, the Bank has performed the significant portion of its banking transactions with the related party firms (Nurol Group) as of the balance sheet date.

DRT Bağımsız Denetim ve SMMM A.Ş.

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

Istanbul, 14 May 2014

TABLE OF CONTENTS

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013
(Currency - In thousands of Turkish Lira)

	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	*4*	81,391	14,057
Reserve deposits at Central Bank	*5*	6,013	5,225
Held for trading investments	*6*	7,186	8,068
Available for sale investments	*7*	82,573	56,888
Loans and advances to customers	*8*	241,190	150,576
Property and equipment	*9*	580	798
Intangible assets	*10*	1,090	813
Other assets	*11*	18,884	16,976
Total assets		**438,907**	**253,401**
Liabilities			
Funds borrowed	*12*	238,126	124,756
Debt securities issued	*13*	102,308	-
Other liabilities	*14*	4,737	10,556
Derivative financial instruments		79	48
Provisions	*15*	2,595	2,686
Current tax liability		-	183
Deferred tax liabilities	*16*	640	2,115
Total liabilities		**348,485**	**140,344**
Equity			
Share capital	*18*	45,000	45,000
Reserves	*18*	23,101	46,159
Retained earnings		22,321	21,898
Total equity		**90,422**	**113,057**
Total liabilities and equity		**438,907**	**253,401**

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(Currency - In thousands of Turkish Lira)

	Note	1 January-31 December 2013	1 January-31 December 2012
Interest income	*19*	32,500	20,097
Interest expense	*19*	(18,266)	(7,948)
Net interest income		**14,234**	**12,149**
Fee and commission income	*20*	4,967	3,540
Fee and commission expense	*20*	(1,780)	(867)
Net fee and commission income		**3,187**	**2,673**
Net trading income / (loss)	*21*	(374)	1,258
Other operating income	*22*	657	360
		283	**1,618**
Operating income		**17,704**	**16,440**
Net impairment recoveries on financial assets	*8*	(135)	516
Other provision expenses		(489)	(24)
Personnel expenses	*23*	(8,920)	(5,335)
Depreciation and amortization	*9,10*	(563)	(587)
Administrative expenses	*24*	(7,281)	(6,349)
Profit before income tax		**316**	**4,661**
Income tax expense	*16*	200	(789)
Profit from continued operations		**516**	**3,872**
Income from discontinued operations		-	-
Income tax provision from discontinued operations		-	-
Profit from discontinued operations		-	-
Profit for the year		**516**	**3,872**
Other comprehensive income			
Available-for-sale financial assets			
Gains / (Loss) arising during the year		(24,377)	78,716
Less: Reclassification adjustments for gains included in profit or loss		-	(39,718)
Income tax relating to components of other comprehensive income	*16*	1,226	(1,288)
Other comprehensive income for the year, net of income tax		**(23,151)**	**37,710**
Total comprehensive (loss) / income for the year		**(22,635)**	**41,582**

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency - In thousands of Turkish Lira)

	Note	Share capital	Adjustment to share capital	Fair value reserve of available for sale financial assets	Legal reserves	Accumulated gain/(losses)	Total equity
Balances at 1 January 2012		45,000	-	7,461	664	18,350	71,475
Transfers to legal reserves		-	-	-	324	(324)	-
Total comprehensive income for the year							
- Profit for the year		-	-	-	-	3,872	3,872
Other comprehensive income for the year, net of tax	*18*	-	-	37,710	-	-	37,710
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	37,710	-	3,872	41,582
Balance at 31 December 2012		45,000	-	45,171	988	21,898	113,057
Balances at 1 January 2013		45,000	-	45,171	988	21,898	113,057
Transfers to legal reserves		-	-	-	163	(163)	-
Total comprehensive income for the year							
- Profit for the year		-	-	-	-	516	516
Other comprehensive income for the year, net of tax	*18*	-	-	(23,221)	-	70	(23,151)
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(23,221)	-	586	(22,635)
Balance at 31 December 2013		45,000	-	21,950	1,151	22,321	90,422

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

NUROL YATIRIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency - In thousands of Turkish Lira)

	Note	1 January-31 December 2013	1 January-31 December 2012
Cash flows from operating activities			
Net profit for the year		516	3,872
Adjustments:			
Depreciation and amortisation		563	587
Current tax provision	*16*	-	443
Deferred tax	*16*	(130)	346
Provision for loan losses	*8*	281	2
Other provisions		588	1,121
Accrual on derivative instruments		373	(128)
Other accruals		(461)	2,326
Foreign exchange loss / (gain)		(1,196)	322
Gain on sale of available for sale assets		-	(1,288)
Other		(2,583)	878
		(2,049)	**8,481**
Changes in operating assets and liabilities			
Change in held for trading investments		540	(2,113)
Change in loans and advances to customers		(90,641)	(33,710)
Change in reserve deposits		(788)	(1,498)
Change in other assets		2,750	656
Change in other liabilities		(7,011)	7,688
Change in borrowings		114,313	11,816
Net cash provided by / (used in) operating activities		**17,114**	**(8,680)**
Cash flows from investing activities			
Purchase of available for sale investments		(50,354)	(2,224)
Proceed from sale of available for sale investments		-	12,703
Purchase of property and equipment	*9*	(72)	(434)
Proceeds from sale of property and equipment		3	19
Purchase of intangible assets	*10*	(553)	(601)
Net cash (used in) / provided by investing activities		**(50,976)**	**9,463**
Proceeds from debt securities issued		100,000	-
Net cash provided by financing activities		**100,000**	-
Effect of foreign exchange rate change on cash and cash equivalents		1,196	(322)
Net increase in cash and cash equivalents		**67,334**	**461**
Cash and cash equivalents at 1 January		14,057	13,596
Cash and cash equivalents at 31 December		**81,391**	**14,057**

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

(Currency - In thousands of Turkish Lira)

1. Corporate information

General

Nurol Yatırım Bankası A.Ş. (the "Bank" or "Nurolbank") was established in 1998 by the permission of the council of Ministers Decree No. 98/11565 dated 6 August 1998, to finance investment and foreign trade activities, and started its financial banking activities in May 1999. Nurolbank is owned and controlled by the Nurol Holding A.Ş.. Nurolbank operates as an investment bank and is also involved in corporate services such as financial leasing, lending and trade finance. According to the current legislation for investment banks, the Bank is not authorised to receive deposits from customers. The Bank's head office is located at Nurol Plaza in Maslak in İstanbul, Turkey.

The shareholders' structure of the Bank is as disclosed below:

Shareholders	Total nominal value of the shares	Share percentage (%)
Nurol Holding A.Ş.	35,169	78.15
Nurol İnşaat ve Tic. A.Ş.	7,180	15.96
Other	2,651	5.89

The shareholder having direct or indirect control over the shares of the Parent Bank is Nurol Group. The Group has operations in construction, defence, finance, tourism, health, mining, real estate, marketing and manufacturing industries through 33 firms within the Nurol Group, 4 joint ventures and 11 domestic-foreign associates and subsidiaries.

The Board of Directors comprised the following members:

Nurettin Çarmıklı	*Chairman*
Erol Çarmıklı	*Deputy Chairman of Board*
M. Oğuz Çarmıklı	*Deputy Chairman of Board*
Dr. Ahmet Paşaoğlu	*Board Member*
S. Ceyda Çarmıklı	*Board Member*
Ahmet Şirin	*Board Member (Audit Committee Member)*
Yusuf Serbest	*Board Member*
Prof Dr. Dursun Ali Alp	*Board Member (Audit Committee Member)*
Özgür Altuntaş	*Board Member – General Manager*
Ahmet Kerim Kemahlı	*Board Member*

(Currency - In thousands of Turkish Lira)

2. Adoption of New and Revised Standards

a. New and revised standards affecting presentation and disclosure only

None.

b. New and revised standards affecting the reported financial performance and / or financial position

Amendments to IFRS 10, 11, IAS 27	*Investment Entities*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 10, 11, IAS 27 *Investment Entities*

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of IFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 have been changed.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 *Levies*

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

(Currency - In thousands of Turkish Lira)

2. Adoption of New and Revised Standards *(continued)*

c. New and revised IFRSs in issue but not yet effective

The following new and revised standards below have been applied in the current year. The standards have not affected the amounts reported in the financial statements for the current and previous years but may affect the accounting of the transactions that will be made in the future.

IFRS 9	*Financial Instruments*
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Annual Improvements to 2010-2012 Cycle	*IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24* [1]
Annual Improvements to 2011-2013 Cycle	*IFRS 1, IFRS 3, IFRS 13, IAS 40* [1]
IFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 January 2016.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

2. Adoption of New and Revised Standards *(continued)*

c. New and revised IFRSs in issue but not yet effective *(continued)*

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

The Company evaluates the effects of these standards on the consolidated financial statements.

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies

3.1 Statement of compliance:

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

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Accounting Standards, Financial Reporting Standards and other regulations on accounting and reporting standards promulgated by the Banking Regulation and Supervision Agency ("BRSA").

The financial statements have been prepared from statutory financial statements of the Bank and presented in accordance with IFRS in Turkish Lira ("TL") with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS.

The accompanying financial statements as of 31 December 2013 are authorised for issue by the Board of Directors on 14 May 2014. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

3.2 Basis of preparation:

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 Accounting in hyperinflationary economies

The financial statements of the Bank 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 "Financial Reporting in Hyperinflationary Economies". 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 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.

3.4 Foreign currency transactions

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. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign currency translation rates used by the Bank are as follows:

	USD / TL(full)	EUR / TL(full)
31 December 2013	2.1343	2.9365
31 December 2012	1.7826	2.3517

3.5 Interest income and interest expense

Interest income and expense are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of financial instrument, but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

3. Significant accounting policies *(continued)*

3.5 Interest income and interest expense *(continued)*

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income statement include:

- the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis
- the interest income on held for trading investments and available for sale investments.

Interest income is suspended when loans are impaired and is excluded from interest income until received.

3.6 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

3.7 Net trading income

Net trading income comprises gains less loss related to held for trading investments and liabilities, and includes all realised and unrealised fair value changes and interest. Any realised or unrealised fair value changes and interest of non-qualifying derivatives, held for risk management purposes, are recorded as foreign exchange gain.

3.8 Dividends

Dividends are recognised when the shareholders' right to receive the payments is established.

3.9 Taxation and deferred income taxes

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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. 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 deferred tax 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.

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.

3. Significant accounting policies *(continued)*

3.9 Taxation and deferred income taxes *(continued)*

Deferred tax (continued)

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 Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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 that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, 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 acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Investment Incentives

The phase " ... only attributable to 2006, 2007 and 2008", which was included in the paragraph set out in Provisional Article 69 of Income Tax Law No: 193 is deleted upon the Constitutional Court's resolution no: 2009/144 and the related decision was published in the Official Gazette on 8 January 2010. Investment incentive application was revised based on Article 5 of Law No: 6009, which had been published in the Official Gazette No: 27659 on 1 August 2010. Under the revised law, the investment incentive amount which would be used as a discount in determining the tax basis should not exceed 25% of the related period's profit, only to the extent that it is applicable to profit for the related period, whereas corporate tax would be calculated based on the applicable tax rate over the remaining profit. The requirement stating that deductible investment incentive amount cannot exceed the 25% of annual earnings has been annulled upon the Constitutional Court's decision no:2010/93, K: 2012/9 issued on 9 February 2012. The full annulment decision has not been published in the Official Gazette as of the report date but the decision for the stay of execution is published in the Official Gazette on 18 February 2012. As of 31 December 2013, there is no investment incentive amount that is planned to be deducted by the Bank from its corporate income in the future and therefore there is no deferred tax asset recognized in the Bank's financial statements related to the investment incentive (31 December 2012: None).

3. Significant accounting policies *(continued)*

3.10 Financial assets and liabilities

Financial Assets

All financial assets are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value and recognized or derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

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'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 to the net carrying amount on initial recognition.

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 and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank 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.

3. Significant accounting policies *(continued)*

3.10 Financial assets and liabilities *(continued)*

Financial Assets *(continued)*

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Bank that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets are stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognized in profit and loss when the Bank has the right to receive any payment.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the prevailing exchange rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a due from banks, and the underlying asset is not recognised in the Bank's financial statements.

Due from banks and loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3. Significant accounting policies *(continued)*

3.10 Financial assets and liabilities *(continued)*

Financial Assets *(continued)*

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For loans and receivables, the amount of 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 impairment loss directly for all financial assets with the exception of lease receivables where the carrying amount is reduced through the use of an allowance account. When a loan is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale 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 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. Increase in fair value of available for sale financial assets subsequent to impairment is recognized in 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. The carrying amount of the assets approximates their fair value.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3. Significant accounting policies *(continued)*

3.10 Financial assets and liabilities *(continued)*

Financial Liabilities

Financial liabilities and equity instruments issued by the Bank 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 Bank 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 fair value through profit or loss

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.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis. The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Deposits, funds borrowed and debt securities issued

The Bank is not entitled to collect deposits. Current accounts of loan customers and funds borrowed are the Bank's sources of debt funding.

Current accounts of loan customers and funds borrowed are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

3. Significant accounting policies *(continued)*

3.10 Financial assets and liabilities *(continued)*

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognised in profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.11 Property and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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 and, for qualifying assets, borrowing costs capitalized. 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.

3.12 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 (three to five years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

3. Significant accounting policies *(continued)*

3.13 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.

3.14 Investment properties

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. The depreciation period for investment property is 50 years.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

3.15 Leases

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

The Bank as lessee

Assets held under finance leases are initially recognized as assets of the Bank 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets.

3. Significant accounting policies *(continued)*

3.15 Leases *(continued)*

The Bank as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank'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 Bank's net investment outstanding in respect of the leases.

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.

3.16 Provisions

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

The amount 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.

3.17 Employee benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. 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.

Profit-sharing and bonus plans

The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.18 Fiduciary assets

Assets held by the Bank in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Bank.

3.19 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank operates in investment and corporate banking. Accordingly, the Bank invests with the funds provided by using the capital market instruments and provides consultancy services so as to provide efficient management and sound financial structure to business enterprises.

The Bank provides investment and operating loans to its commercial and personal customers and also provides service packages consisting of foreign trade operations, investment products, cash management, financial leasing, factoring, and other banking products.

Major financial statement items according to business lines:

2013	Retail banking	Corporate banking	Investment banking	Other (*)	Total operations of the Bank
Operating income	47	13,743	2,183	1,731	17,704
Other expenses	-	(17,388)	-	-	(17,388)
Profit before income tax	47	(3,645)	2,183	1,731	316
Income tax income/expense	-	-	-	-	200
Profit from continued operations	47	(3,645)	2,183	1,731	516
Profit from discontinued operations	-	-	-	-	-
Profit for the year	**47**	**(3,645)**	**2,183**	**1,731**	**516**
31 December 2013					
Segment assets	319	429,318	-	8,999	438,636
Non-distributed Asset	-	-	-	271	271
Total assets	**319**	**429,318**	**-**	**9,541**	**438,907**
Segment liabilities	-	351,447	-	-	351,447
Shareholders' equity	-	-	-	87,460	87,460
Total liabilities	**-**	**351,447**	**-**	**87,460**	**438,907**

(*) Operating income in "Other" column is the interest income on receivable from the sale of Bank's property (flour factory), on 20 November 2011 at an amount of USD 11,354 Thousand which includes 6% of interest and which will be paid in 96 installments.

(Currency - In thousands of Turkish Lira)

3. Significant accounting policies *(continued)*

3.19 Segment reporting *(continued)*

2012	Retail Banking	Corporate Banking	Investment banking	Other (*)	Total operations of the Bank
Operating income	33	13,490	714	2,203	16,440
Other expenses	-	(11,779)	-	-	(11,779)
Profit before income tax	33	1,711	714	2,203	4,661
Income tax expense	-	-	-	-	(789)
Profit from continued operations	33	1,711	714	2,203	3,872
Profit from discontinued operations	-	-	-	-	-
Profit / (loss) for the year	**33**	**1,711**	**714**	**2,203**	**3,872**
31 December 2012					
Segment assets	383	238,994	-	14,022	253,399
Non-distributed Asset	-	-	-	2	2
Total assets	**383**	**238,994**	**-**	**14,024**	**253,401**
Segment liabilities	-	140,344	-	-	140,344
Shareholders' equity	-	-	-	113,057	113,057
Total liabilities	**-**	**140,344**	**-**	**113,057**	**253,401**

(*) TL 1,288 Thousand of other operating income in "other" column is the gain on sale of the shares of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. For details please see Note 7. TL 913 Thousand of operating income in "Other" column is the interest income on receivable from the sale of Bank's property (flour factory), on 7 October 2011 at an amount of USD 11,354 Thousand which includes 6% of interest and which will be paid in 96 installments amounting to USD 118 Thousand each.

Geographical concentration

	Assets	Liabilities	Non-cash loans	Capital expendi-tures	Net profit / (loss)
2013					
Domestic	433,457	416,867	375,445	580	516
European Union countries	535	-	-	-	-
OECD countries	23	-	-	-	-
USA, Canada	4,892	-	-	-	-
Other countries	-	22,040	-	-	-
Total	**438,907**	**438,907**	**375,445**	**580**	**516**
2012					
Domestic	245,513	128,421	388,328	798	3,872
European Union countries	4,675	-	-	-	-
OECD countries	8	-	-	-	-
USA, Canada	3,205	-	-	-	-
Other countries	-	11,923	-	-	-
Total	**253,401**	**140,344**	**388,328**	**798**	**3,872**

3. Significant accounting policies *(continued)*

3.20. Use of estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3.21.

3.21. 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 3.10.

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 3.10. For financial instruments that require varying degrees of judgement depending liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Bank's accounting policies

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

Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy 3.10.

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3.10.

Financial asset and liability classification

The Bank'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 Bank has determined that it meets the description of held for trading investments and liabilities set out in accounting policy 3.10.
- In classifying financial assets as "available for sale", the bank has determined that it meets the description of available for sale investments set out in accounting policy 3.10 and note 7.

Details of the Bank's classification of financial assets and liabilities are given in note 25.

(Currency - In thousands of Turkish Lira)

4. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash and balances with central banks	3,565	1,208
- Cash on hand	*114*	*283*
- Balances with central banks	*3,451*	*925*
Due from banks and financial institutions	58,814	12,849
Placements at money markets	19,012	-
Cash and cash equivalents in the balance sheet	**81,391**	**14,057**

As at 31 December 2013 and 2012, the details of the balances with central banks and due from banks and financial institutions are as follows:

	31 December 2013			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with Central Bank	3,382	69	-	-
Due from banks and financial institutions	57,111	1,703	9.00%	-
Placements at money markets	19,012	-	6.72%	-
Total	**79,505**	**1,772**		

	31 December 2012			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Balances with Central Bank	912	13	-	-
Due from banks and financial institutions	4,563	8,286	9.79%	0.28%
Total	**5,475**	**8,299**		

5. Reserve deposits at Central Bank

	31 December 2013	31 December 2012
Turkish Lira	-	-
Foreign currency	6,013	5,225
	6,013	**5,225**

According to the regulations of Central Bank of the Republic of Turkey ("Central Bank"), banks are required to reserve a portion of certain liability accounts as specified in the related decrees. Such mandatory reserves are not available for use in the Bank's day to day operations.

As of 31 December 2013, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11.5% depending on the maturity of deposits (31 December 2012 – 5% - 11%) and the compulsory rates for the foreign currency liabilities are within an interval from 6% to 13% depending on the maturity of deposits (31 December 2012 – 6% - 11%).

(Currency - In thousands of Turkish Lira)

6. Held for trading investments

	31 December 2013	31 December 2012
Debt instruments		
Turkish government bonds-TL denominated	7,186	8,068
Total held for trading investments	**7,186**	**8,068**

Income and losses comprising the gains and losses related to and liabilities and realised and unrealised fair value changes are reflected in the income statement as net trading income / (loss).

7. Available for sale investments

	31 December 2013		31 December 2012	
	Amount	Effective interest rate	Amount	Effective interest rate
Available-for-sale investments at fair value				
Debt instruments – TL denominated [a]	56,797	9.96%	7,254	6.59%
Equity instruments – listed [b]	25,776		49,634	
Total available-for-sale investments at fair value	**82,573**		**56,888**	

(a) Available for sale debt instruments include government bonds denominated in TL amounting to TL 51,718 Thousand (31 December 2012: TL 1,936 Thousand); the remaining portion amounting to TL 648 Thousand (31 December 2012: TL 5,318 Thousand) consists of private sector bonds.

(b) The Bank holds 15.97% of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. ("Company")'s shares as of 31 December 2013 and the investment is accounted under available for sale investments, as the Bank has no significant influence on the Company. As of the balance sheet date the shares are accounted for using the market price and fair value reserve of TL 34,578 Thousand is accounted under equity (31 December 2012: TL 47,417 Thousand).

(Currency - In thousands of Turkish Lira)

8. Loans and advances to customers

	31 December 2013			
	Amount			
	TL	Foreign currency	Foreign currency indexed	Total
Finance lease receivables	15,512	2,082	-	17,594
Factoring receivables	4,027	-	-	4,027
Short-term loans	134,442	29,879	-	164,321
Medium and long-term loans	29,699	25,383	-	55,082
Total performing loans	**183,680**	**57,344**	**-**	**241,024**
Non-performing loans	556	-	-	556
Less: Reserve for possible loan losses	(390)	-	-	(390)
Total loans, net	**183,846**	**57,344**	**-**	**241,190**

	31 December 2012			
	Amount			
	TL	Foreign currency	Foreign currency indexed	Total
Short-term loans	102,988	2,598	-	105,586
Medium and long-term loans	32,506	12,318	-	44,824
Total performing loans	**135,494**	**14,916**	**-**	**150,410**
Non-performing loans	421	-	-	421
Less: Reserve for possible loan losses	(255)	-	-	(255)
Total loans, net	**135,660**	**14,916**	**-**	**150,576**

Movements in non-performing loans:

	31 December 2013	31 December 2012
Reserve at beginning of year	255	22,372
Provision for possible loan losses	281	2
Recoveries (*)	(146)	(518)
Provision, net of recoveries	135	(516)
Amount written off (*)	-	(21,601)
Reserve at end of year	**390**	**255**

(*) On 13 March 2012, the Bank has sold TL 22,040 thousand of its non-performing loan portfolio, for which full provision had been provided, to Nurol Holding A.Ş. with a consideration of TL 439 thousand.

(Currency - In thousands of Turkish Lira)

8. Loans and advances to customers *(continued)*

Loans and advances to customers include the following finance lease receivables.

	2013	2012
Gross investment in finance leases, receivable:		
Less than one year	9,122	-
Between one and five years	13,542	-
	22,664	**-**
Unearned future income on finance leases	(5,070)	-
Net investment in finance leases	**17,594**	**-**
The net investment in finance leases comprises:		
Less than one year	6,779	-
Between one and four years	10,815	-
	17,594	**-**

The finance leases typically run for a period of one to four years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease.

The receivables are secured by way of the underlying assets.

(Currency - In thousands of Turkish Lira)

9. Property and equipment

	Office equipment	Furniture and fixtures	Other fixed assets	Total
Cost				
Balance at 1 January 2012	1,097	642	506	2,245
Acquisitions	415	10	9	434
Disposals	(10)	-	(17)	(27)
Balance at 31 December 2012	**1,502**	**652**	**498**	**2,652**
Balance at 1 January 2013	1,502	652	498	2,652
Acquisitions	47	-	25	72
Disposals	(6)	-	-	(6)
Balance at 31 December 2013	**1,543**	**652**	**523**	**2,718**
Depreciation				
Balance at 1 January 2012	(666)	(578)	(355)	(1,599)
Depreciation for the year	(213)	(17)	(33)	(263)
Disposals	8	-	-	8
Balance at 31 December 2012	**(871)**	**(595)**	**(388)**	**(1,854)**
Balance at 1 January 2013	(871)	(595)	(388)	(1,854)
Depreciation for the year	(250)	(14)	(23)	(287)
Disposals	3	-	-	3
Balance at 31 December 2013	**(1,118)**	**(609)**	**(411)**	**(2,138)**
Carrying amounts				
Balance at 31 December 2012	631	57	110	798
Balance at 31 December 2013	425	43	112	580

As of 31 December 2013 tangible assets were insured to the extent of TL 2,273 Thousand (2012 – TL 1,982) in total.

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

Motor vehicles	5 - 7 years
Office equipment, furniture and fixtures	5 - 15 years
Leased assets	shorter of 5 - 10 years and the lease term

(Currency - In thousands of Turkish Lira)

10. Intangible assets

	Software	Total
Cost		
Balance at 1 January 2012	2,730	2,730
Additions	601	601
Disposal	-	-
Balance at 31 December 2012	**3,331**	**3,331**
Balance at 1 January 2013	3,331	3,331
Additions	553	553
Disposals	-	-
Balance at 31 December 2013	**3,884**	**3,884**
Amortization and impairment		
Balance at 1 January 2012	(2,194)	(2,194)
Amortization charge for the year	(324)	(324)
Disposal	-	-
Balance at 31 December 2012	**(2,518)**	**(2,518)**
Balance at 1 January 2013	(2,518)	(2,518)
Amortization charge for the year	(276)	(276)
Disposals	-	-
Balance at 31 December 2013	**(2,794)**	**(2,794)**
Carrying amounts		
Balance at 31 December 2012	813	813
Balance at 31 December 2013	1,090	1,090

(Currency - In thousands of Turkish Lira)

11. Other assets

	31 December 2013	31 December 2013
Receivables from Nurol Holding	144	83
Receivables from disposal of property (*)	15,731	14,024
Assets held for sale	1,371	1,371
Others	1,638	1,498
	18,884	**16,976**

(*) The Bank sold its investment property, that comprise the building (flour factory) purchased from a loan customer with a payment exceeding the receivable amount, on 7 October 2011 for USD 11,354 Thousand which includes 6% of interest and which will be paid in 96 installments amounting to USD 118 Thousand each. As of 31 December 2013 the amortised carrying value of the receivable from this disposal amounts to TL 15,731 Thousand (31 December 2012: TL 14,024 Thousand).

12. Funds borrowed

	31 December 2013			31 December 2012		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	27,356	87,328	114,684	37,478	36,709	74,187
Obligations under repurchase agreements	123,442	-	123,442	50,569	-	50,569
	150,798	**87,328**	**238,126**	**88,047**	**36,709**	**124,756**

The effective interest rate for funds borrowed denominated in USD is 3.22% (2012 –1.4%), in EUR is 3.2% (2012 – 1.2%) and in TL is 7.9% (2012 – 6.4%). As at 31 December 2013 and 2012, funds borrowed have fixed interest rates.

As at 31 December 2013 and 2012, funds borrowed are unsecured.

The Bank has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 31 December 2013 (31 December 2012 – None).

13. Debt securities issued

The Bank has issued floating rate debt securities amounting to TL 100,000,000 at 24 January 2013 with 728 days maturity and three-month period interest payment. As at 31 December 2013, debt securities are as follows:

	31 December 2013			31 December 2012		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	102,308	-	-	-	-	-
	102,308	-	-	-	-	-

(Currency - In thousands of Turkish Lira)

14. Other liabilities

	31 December 2013	31 December 2012
Current accounts of loan customers	1,578	8,815
Taxes and funds payable	985	530
Others	2,174	1,211
	4,737	**10,556**

15. Provisions

	31 December 2013	31 December 2012
Employee termination benefits	431	684
Bonus accrual	-	300
Vacation pay liability	263	368
Provision for non -cash loans	1,103	1,073
Provision for lawsuits	398	82
Other	400	179
	2,595	**2,686**

The movement in bonus accrual is as follows:

	2013	2012
At 1 January	300	250
Provision provided	-	383
Bonus paid	(300)	(333)
At 31 December	**-**	**300**

The movement in vacation pay liability is as follows:

	2013	2012
At 1 January	368	261
Provision (reversal) / provided	(105)	107
At 31 December	**263**	**368**

The movement in provision for employee termination benefits is as follows:

	2013	2012
At 1 January	684	432
Service cost	380	284
Interest cost	17	20
Benefits paid	(292)	(52)
Provision reversal	(271)	-
Actuarial gain / loss	(87)	-
At 31 December	**431**	**684**

(Currency - In thousands of Turkish Lira)

15. Provisions *(continued)*

Employee termination benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL full 3,033.98 and TL full 3,254.44 at 31 December 2012 and 2013, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as at 31 December 2013 and 2012, the Bank reflected a liability calculated based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The Bank used 3.78% discount rate, 6.21% inflation rate and 10.22% interest rate for provision of severance payment (31 December 2012 – discount rate: 2.4%, inflation rate: 4.98%, interest rate: 7.50%).

16. Taxation

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

In Turkey, corporate tax rate is 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

Income tax recognised in the income statement

The components of income tax expense as stated below:

	2013	2012
Current tax		
Current income tax	-	(443)
Deferred income / (expense) tax		
Relating to origination and reversal of temporary differences	200	(346)
Income tax expense reported in the income statement	**200**	**(789)**

(Currency - In thousands of Turkish Lira)

16. Taxation *(continued)*

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
Profit before income tax	316	4,661
Income tax using the domestic corporation tax rate 20% (2012 – 20%)	(63)	(932)
Sales gain on available for sale and property exempt from tax	-	-
Disallowable expenses	(80)	(22)
Effect of investment incentive	-	-
Other	343	165
Total income tax expense in the profit or loss	**200**	**(789)**

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

	2013	2012
Deferred tax assets / (liability), net at 1 January	(2,115)	260
Prior year adjustment	49	-
Deferred tax recognised in the profit or loss	200	(346)
Deferred income tax recognised in other comprehensive income	1,226	(2,029)
Deferred tax assets/(liabilities), net at end of the year	**(640)**	**(2,115)**

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2013			2012		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Liability for employee benefits	156	-	156	271	-	271
Valuation of available for sale financial assets	-	(1,101)	(1,101)	-	(2,371)	(2,371)
Other	-	305	305	-	(15)	(15)
	156	**(796)**	**(640)**	**271**	**(2,386)**	**(2,115)**

(Currency - In thousands of Turkish Lira)

17. Commitments and contingencies

In the normal course of business, the Bank enters into a number of contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Bank. The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

As at 31 December 2013 and 2012; commitments and contingencies comprised the following:

	2013	2012
Letters of guarantee	369,319	366,967
Letters of credit	6,126	15,334
Bank acceptance	-	6,027
Other commitments	220	290
Total	**375,665**	**388,618**

18 Share capital and reserves

Share capital

As at 31 December 2013 and 2012, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	2013		2012	
	Amount	**%**	**Amount**	**%**
Nurol Holding A.Ş.	35,169	78	35,171	78
Nurol İnşaat ve Tic. A.Ş.	7,180	16	7,182	16
Nurol Otelcilik ve Turizm İşletmeciliği A.Ş.	395	1	397	1
Others	2,256	5	2,250	5
Total	**45,000**		**45,000**	

As at 31 December 2013 and 2012, the authorised share capital comprised of 45,000 ordinary shares having a par value of TL full 1,000. All issued shares are paid.

In accordance with the resolution of Board of Directors dated 4 March 2008, adjustment to share capital was offset against the accumulated loss.

(Currency - In thousands of Turkish Lira)

18. Share capital and reserves (cont'd)

Legal reserves

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

As at 31 December 2013, the Bank's legal reserves amounted to TL 1,151 Thousand (2012 – TL 988 Thousand).

Available-for-sale reserve

The available-for-sale reserve includes the cumulative net change in the fair value of available-for-sale available for sale investments until the investment is derecognised or impaired.

Movement in available-for-sale reserve is as follows:

At 1 January 2012	7,461
Net change in fair value of available-for-sale financial assets	37,710
At 31 December 2012	**45,171**
At 1 January 2013	45,171
Change in fair value of available-for-sale financial assets (net of tax)	(23,221)
At 31 December 2013	**21,950**

(Currency - In thousands of Turkish Lira)

19. Net interest income

	2013	2012
Interest income		
Loans and advances to customers	25,801	16,808
Deposits with banks and other financial institutions	871	315
Held for trading and available for sale investments	3,251	2,112
Financial leases	1,591	3
Other	986	859
	32,500	**20,097**
Interest expense		
Funds borrowed	4,619	7,077
Interbank funds borrowed	10,341	871
	3,306	**7,948**
Net interest income	**14,234**	**12,149**

20. Net fee and commission income

	2013	2012
Fee and commission income		
Non-cash loans	2,655	2,663
Other	2,312	877
Total fee and commission income	**4,967**	**3,540**
Fee and commission expense		
Non-cash loans	720	572
Other	1,060	295
Total fee and commission expense	**1,780**	**867**
Net fee and commission income	**3,187**	**2,673**

21. Net trading income / (loss)

	2013	2012
Gain / (loss) on foreign exchange rate fluctuations	3,475	715
Gain / (loss) from securities	(1,914)	1,346
Gain / (loss) on derivatives	(1,935)	(803)
Total	**(374)**	**1,258**

(Currency - In thousands of Turkish Lira)

22. Other operating income

	2012	2012
Communication income	59	44
Other	598	316
Total	**657**	**360**

23. Personnel expenses

	2013	2012
Wages and salaries	7,101	3,607
Compulsory social security obligations	663	606
Other fringe benefits	278	4
Other benefits	878	1,118
Total	**8,920**	**5,335**

24. Administrative expenses

	2013	2012
Subscription fees	2,318	1,600
Rent expenses	846	565
Telecommunication expenses	578	630
Audit and advisory expenses	321	708
Notary expenses	659	483
Computer expenses	733	612
Maintenance expenses	197	166
Transportation expenses	216	191
Taxes and duties expenses	250	707
Office supplies	8	57
Hosting expenses	60	62
Advertising expenses	24	28
Other various administrative expenses	1,071	540
Total	**7,281**	**6,349**

25. Financial risk management objectives and policies

a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Bank's risk approach is to achieve sound and sustainable low risk profile, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Bank is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, the Bank is exposed to a number of risks such as credit risk, liquidity risk, market risk and operational risk. The Bank's risk policy can be summarised as:

- well managing the credit risk through a high standardised credit risk management
- eliminating liquidity risk
- minimising market risk

In accordance with the Bank's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to the Bank. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements in Turkey.

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organization.

The Bank manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Bank does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

b) Credit risk

Credit risk represents the risk arising from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee is responsible for managing credit risk at the Bank.

Total amount of credits granted to a group is subject to certain credit risk limits. According to the decision taken by the Board of Directors, the maximum amount of the loan to be granted to a group (cash and non-cash) is limited with the calculation of certain percentages of the shareholders' equity based on the rating of the group. Furthermore, concentration risk is monitored on monthly basis in terms of industry, rating by risk group and customer.

The credibility of the debtors of the Bank is assessed periodically. Loan limits of the loan customers are revised periodically in line with the Bank's procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans and other receivables.

The restructured and rescheduled loans are evaluated in the Bank's current rating system besides the follow up method determined in the related regulation.

Credit risk by risk groups

	Individual	Corporate	Leasing	Factoring	Total
2013					
Performing loans	357	219,046	17,594	4,027	241,024
Loans under close monitoring	-	-	-	-	-
Non-performing loans	2	554	-	-	556
Gross	**359**	**219,600**	**17,594**	**4,027**	**241,580**
Reserve for possible loan losses	(2)	(388)	-		(390)
Total	**357**	**219,212**	**17,594**	**4,027**	**241,190**
2012					
Performing loans	377	150,027	-	-	150,404
Loans under close monitoring	6	-	-	-	6
Non-performing loans	2	419	-	-	421
Gross	**385**	**150,446**	-	-	**150,831**
Reserve for possible loan losses	(2)	(253)	-	-	(255)
Total	**383**	**150,193**	-	-	**150,576**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

b) Credit risk *(continued)*

Exposure to credit risk

		Due from banks		Loans and advances to customers	
At 31 December	*Notes*	**2013**	**2012**	**2013**	**2012**
Carrying amount		**77,826**	**12,849**	**241,190**	**150,576**
Individually impaired					
- Non-performing financial assets		-	-	556	421
Gross amount		**-**	**-**	**556**	**421**
Reserve for possible loan losses	*8*	-	-	(390)	(255)
Carrying amount		**-**	**-**	**166**	**166**
Past due but not impaired		-	-	-	-
Carrying amount		**-**	**-**	**-**	**-**
Neither past due nor impaired		77,826	12,849	241,024	150,404
Carrying amount		**77,826**	**12,849**	**241,024**	**150,404**
Includes account with renegotiated terms		-	-	-	6
Carrying amount		**-**	**-**	**-**	**6**
Carrying amount (amortised cost)	*4, 8*	**77,826**	**12,849**	**241,190**	**150,576**

Impaired loans and advances

Individually impaired loans are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

25. Financial risk management objectives and policies *(continued)*

b) Credit risk *(continued)*

Exposure to credit risk (continued)

Reserve for possible loan losses

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio.

Write-off policy

The Bank writes off a loan balance and any related allowances for impairment losses, when Bank position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not sufficient to pay back the entire exposure.

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

b) Credit risk *(continued)*

Collateral policy (continued)

The breakdown of performing cash and non-cash loans and advances to customers by type of collateral is as follows:

Cash loans	31 December 2013	31 December 2012
Secured cash loans	131,053	63,724
Secured by cash collateral	-	-
Personal guarantees	*88,145*	*35,204*
Secured by mortgages	*39*	*122*
Secured by customer cheques & acts	*21,248*	*28,398*
Leasing	*17,594*	-
Factoring	*4,000*	-
Non-secured cash loans	107,837	85,822
Accrued interest income on loans	2,134	864
Total performing cash loans	**241,024**	**150,410**

Non-cash loans[(1)]	31 December 2013	31 December 2013
Secured non-cash loans	228,948	132,343
Personal guarantees	228,685	131,507
Secured by cash collateral	263	796
Secured by customer cheques & acts	-	40
Non-secured non cash loans	140,371	234,624
Total non-cash loans	**369,319**	**366,967**

(1) Other commitments, letters of credit and bank acceptances are not included.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

b) Credit risk *(continued)*

Segment concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from due from banks and loans and advances to customers at the reporting date is shown below:

	Due from banks		Loans and advances to customers	
	2013	2012	2013	2012
Banks	77,826	11,620	-	-
Manufacturing	-	-	23,601	13,514
Mining	-	-	-	-
Production	-	-	*23,601*	*13,514*
Natural resources	-	-	-	-
Construction	-	-	36,646	63,118
Services	-	-	149,685	72,694
Wholesale and retail trade	-	-	*58,124*	*22,026*
Hotel, food and beverage services	-	-	*12,636*	*2,598*
Financial institutions	-	-	*11,595*	*2,462*
Educational services	-	-	-	-
Communication expenses	-	-	*3,822*	
Health and social services			*194*	-
Renting Service	-	-	*63,314*	*45,608*
Other			31,092	1,084
Non-performing loans, net	-	-	166	166
Total	**77,826**	**11,620**	**241,190**	**150,576**

Concentration risk by location

		Due from banks		Loans and advances to customers	
	Notes	2013	2012	2013	2012
Turkey		76,198	8,130	219,591	147,171
Europe		535	4,683	-	-
Other		1,093	36	21,599	3,405
	4, 8	**77,826**	**12,849**	**241,190**	**150,576**

Held for trading investments

At 31 December 2013, the Bank has held for trading investments amounting to TL 7,168 Thousand (2012– TL 8,068 Thousand). An analysis of the credit quality of the maximum credit exposure is as follows:

	Note	2013	2012
Government bonds and treasury bills	*6*	7,168	8,068
Fair value and carrying amount		**7,168**	**8,068**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility.

Management of liquidity risk

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis and maintains liquid assets, which it judges sufficient to meet its commitments.

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency ("BRSA"). In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios in 2013 and 2012 are as follows:

	First maturity bracket (weekly)		Second maturity bracket (monthly)	
	Foreign currency (%)	Total (%)	Foreign currency (%)	Total (%)
2013 average	448	430	238	233
2012 average	202	185	152	144

As at 31 December 2013 and 31 December 2012, the following table provides the contractual maturities of the Bank's financial liabilities.

	31 December 2013						
	Carrying amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 Years
Funds borrowed	238,126	242,989	239,598	3,379	-	12	-
Debt securities issued	102,308	111,748	5,874	5,874	100,000	-	-
	340,434	**354,737**	**245,472**	**9,253**	**100,000**	**12**	**-**

	31 December 2012						
	Carrying amount	Contractual cash flows	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 Years
Funds borrowed	124,756	125,435	116,079	9,356	-	-	-
	124,756	**125,435**	**116,079**	**9,356**	**-**	**-**	**-**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

c) Liquidity risk *(continued)*

Exposure to liquidity risk

The calculation method used to measure the Bank's compliance with the liquidity limit is set by BRSA.

Maturity analysis of monetary assets and liabilities according to their remaining maturities is presented below:

31 December 2013	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	5,365	76,026	-	-	-	-	-	81,391
Reserve deposits at Central Bank	-	6,013	-	-	-	-	-	6,013
Held for trading investments	-	161	-	7,025	-	-	-	7,186
Available for sale investments	-	-	2,061	46,742	7,994	-	25,776	82,573
Loans and advances to customers	-	35,816	55,124	82,700	63,557	3,827	166	241,190
Other assets	-	179	359	1,614	12,402	1,178	4,822	20,554
Total assets	**5,365**	**118,195**	**57,544**	**138,081**	**83,953**	**5,005**	**30,764**	**438,907**
Funds borrowed	-	189,034	24,034	25,047	-	11	-	238,126
Debt securities issued	-	-	-	-	102,308	-	-	102,308
Other liabilities	1,593	2,533	1,251	-	-	-	93,017	98,394
Derivative financial instruments	-	79	-	-	-	-	-	79
Total liabilities	**1,593**	**191,646**	**25,285**	**25,047**	**102,308**	**11**	**93,017**	**438,907**
Liquidity gap	**3,772**	**(73,451)**	**32,259**	**113,034**	**(18,355)**	**4,994**	**(62,253)**	**-**

31 December 2012	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Unidentified maturity	Total
Cash and cash equivalents	5,992	8,065	-	-	-	-	-	14,057
Reserve deposits at Central Bank	-	5,225	-	-	-	-	-	5,225
Held for trading investments	-	-	-	5,946	2,122	-	-	8,068
Available for sale investments	-	-	-	5,700	1,554	-	49,634	56,888
Loans and advances to customers	-	6,872	9,011	97,304	34,844	2,379	166	150,576
Other assets	-	167	334	1,505	8,191	3,343	3,436	16,976
Total assets	**5,992**	**20,329**	**9,345**	**110,455**	**46,711**	**5,722**	**53,236**	**251,790**
Funds borrowed	-	99,221	16,607	8,928	-	-	-	124,756
Other liabilities	10,691	-	-	-	-	-	-	10,691
Derivative Financial Instruments	-	48	-	-	-	-	-	48
Total liabilities	**10,691**	**99,269**	**16,607**	**8,928**	**-**	**-**	**-**	**135,495**
Liquidity gap	**(4,699)**	**(78,940)**	**(7,262)**	**101,527**	**46,711**	**5,722**	**53,236**	**116,295**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, collateralise the loans and manage liquidity.

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA. The Bank's value at market risks as at 31 December 2013 and 31 December 2012 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 28337 dated 28 June 2012, are as follows:

	2013			**2012**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	34	161	-	37	50	-
Equity price risk	-	-	-	-	-	-
Currency risk	370	819	124	385	657	306
Counter party risk	9	26	-	4	14	1
Total value-at-risk	**413**	**1,006**	**124**	**426**	**721**	**307**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Bank is subject to due to the exchange rate movements in the market.

Position limit of the Bank related with currency risk is determined according to Foreign Currency Net Position Standard ratio determined by BRSA.

The concentrations of assets, liabilities and off balance sheet items are as follows:

	USD	Euro	JPY	Others	Total
2013					
Assets					
Cash and cash equivalents	1,194	394	24	211	1,823
Reserve deposits at Central Bank	6,013		-	-	6,013
Loans and advances to customers	23,041	34,303	-	-	57,344
Available for sale investments	-	-	-	-	-
Other assets	9,773	-	-	-	9,773
Total assets	**40,021**	**34,697**	**24**	**211**	**74,953**
Liabilities					
Funds borrowed	52,018	35,310	-	-	87,328
Other liabilities	375	347	-	24	746
Total liabilities	**52,393**	**35,657**	**-**	**24**	**88,074**
Gross exposure	**(12,372)**	**(960)**	**24**	**187**	**(13,121)**
Off-balance sheet position					
Net notional amount of derivatives	24,114	(9,099)	-	-	15,015
Net exposure	**11,742**	**(10,059)**	**24**	**187**	**1,894**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Currency risk (continued)

	USD	Euro	JPY	Others	Total
2012					
Assets					
Cash and cash equivalents	4,248	5,535	-	83	9,866
Reserve deposits at Central Bank	1,338	2,469	-	-	3,807
Loans and advances to customers	14,922	-	-	-	14,922
Available for sale investments	-	-	-	-	-
Other assets	14,021				14,021
Total assets	**34,529**	**8,004**	**-**	**83**	**42,616**
Liabilities					
Funds borrowed	23,592	13,117	-	-	36,709
Other liabilities	1,839	1,634	-	17	3,490
Total liabilities	**25,431**	**14,751**	**-**	**17**	**40,199**
Gross exposure	**9,098**	**(6,747)**	**-**	**66**	**2,417**
Off-balance sheet position					
Net notional amount of derivatives	-	4,703	-	-	4,703
Net exposure	**9,098**	**(2,044)**	**-**	**66**	**7,120**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2013 and 2012 would have effect on the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

2013	**Equity**	**Profit or loss**
EUR	(1,006)	(1,006)
USD	1,174	1,174
Other currencies	21	21
	189	**189**

2012	**Equity**	**Profit or loss**
EUR	(204)	(204)
USD	910	910
Other currencies	7	7
	713	**713**

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk that would arise from the changes in interest rates depending on the Bank's position is managed by the Asset and Liability Committee of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analysed by top management in the Asset and Liability Committee meetings held every week by taking the market developments into consideration.

The Management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

The following table indicates the periods in which financial assets and liabilities reprice as of 31 December 2013 and 2012:

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 December 2013							
Assets							
Cash and cash equivalents	76,026	-	-	-	-	5,365	81,391
Reserve deposits at Central Bank	-	-	-	-	-	6,013	6,013
Held for trading investments	-	161	7,025	-	-	-	7,186
Available for sale investments	-	2,061	46,742	7,994	-	25,776	82,573
Loans and advances to customers	35,825	5	137,810	63,557	3,827	166	241,190
Other	179	359	1,614	12,402	1,178	4,822	20,554
Total assets	**112,030**	**2,586**	**193,191**	**83,953**	**5,005**	**42,142**	**438,907**
Liabilities							
Funds borrowed	189,034	24,034	25,047	-	11	-	238,126
Debt securities issued	102,308	-	-	-	-	-	102,308
Current account of loans customers[1]	-	-	-	-	-	1,593	1,593
Other	2,612	1,251	-	-	-	93,017	96,880
Total liabilities	**293,954**	**25,285**	**25,047**	**-**	**11**	**94,610**	**438,907**
On balance sheet interest sensitivity gap	(181,924)	(22,699)	168,144	83,953	4,994	(52,468)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	**(181,924)**	**(22,699)**	**168,144**	**83,953**	**4,994**	**(52,468)**	**-**

[1] included in other liabilities

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Total
As at 31 December 2012							
Assets							
Cash and cash equivalents	8,065	-	-	-	-	5,992	14,057
Reserve deposits at Central Bank	-	-	-	-	-	5,225	5,225
Held for trading investments	-	5,946	-	2,122	-	-	8,068
Available for sale investments	1,276	3,528	2,450	-	-	49,634	56,888
Loans and advances to customers	6,872	47,477	92,467	1,215	2,379	166	150,576
Other	167	334	1,505	8,191	3,343	5,047	18,587
Total assets	**16,380**	**57,285**	**96,422**	**11,528**	**5,722**	**66,064**	**253,401**
Liabilities							
Funds borrowed	99,221	16,607	8,928	-	-	-	124,756
Current account of loans customers[1]	-	-	-	-	-	8,922	8,922
Other	-	-	-	-	-	119,723	119,723
Total liabilities	**99,221**	**16,607**	**8,928**	**-**	**-**	**128,645**	**253,401**
On balance sheet interest sensitivity gap	(82,841)	40,678	87,494	11,528	5,722	(62,581)	-
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	**(82,841)**	**40,678**	**87,494**	**11,528**	**5,722**	**(62,581)**	**-**

[1] Included in other liabilities.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Exposure to interest rate risk sensitivity

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income based on the floating rate non-trading financial assets and financial liabilities and trading financial assets and liabilities held at 31 December 2013 and 2012. The sensitivity of equity is calculated by revaluing available for sale financial assets at 31 December 2013 and 2012 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2013	**Profit or loss**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets designated at fair value through profit or loss	-	-	-	-
Available for sale financial assets	-	-	(50)	50
Floating rate financial assets	-	-	-	-
Total, net	**-**	**-**	**(50)**	**50**

2012	**Profit or loss**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets designated at fair value through profit or loss	(44)	45	(44)	45
Available for sale financial assets	-	-	(14)	14
Floating rate financial assets	1,092	(1,098)	1,092	(1,098)
	-	-	-	-
Total, net	**1,048**	**(1,053)**	**1,034**	**(1,039)**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

Summary of average interest rates

As at 31 December 2013 and 2012, the summary of average interest rates for different assets and liabilities are as follows:

	2013			2012		
	Euro	**USD**	**TL**	**Euro**	**USD**	**TL**
Assets						
Cash and balances with the Central Bank	-	-	-	-	-	-
Due from banks	0.33	0.33	8.05	0.27	0.29	9.79
Held for trading investments	-	-	-	-	-	11.47
Placementsat money markets	-	-	7.75	-	-	-
Available for sale financial assets	-	-	9.96	-	5.20	9.62
Loans and advances to customers	6.30	6.50	13.31	-	7.50	12.30
Other asset	-	6.00	-	-	6.00	-
Liabilities						
Other money market deposits	-	-	5.16	-	-	6.57
Funds borrowed	1.18	1.23	7.24	1.38	1.93	6.09
Debt securities issued	-	-	11.75	-	-	-

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years, 2010, 2011 and 2012. The amount calculated as TL 20,713 as at 31 December 2013 (31 December 2012 – TL 19,003) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

f) Capital management

BRSA, the regulator body of the banking industry, sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of Tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirement is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's capital position at 31 December 2013 and 2012 is as follows:

	2013	2012
Amount subject to credit risk (I)	479,950	410,550
Amount subject to market risk (II)	3,988	4,750
Amount subject to operational risk (III)	20,713	19,000
Total risk-weighted assets and value at market risk and operational risk (IV) = (I+II+II)	**504,651**	**434,300**
Shareholders' equity:		
Tier 1 capital	58,191	58,949
Tier 2 capital	13,485	23,599
Total regulatory capital	**71,676**	**82,548**
Capital adequacy ratio	**14.20%**	**19.01%**

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

g) Fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets or valuation techniques. However, the Bank expects no significant difference between the fair value and carrying value of the financial instruments below since their maturities are short-term.

The table below sets out the Bank's classification of each class of financial assets and liabilities and their fair values.

	Notes	Trading	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
2013							
Cash and cash equivalents	*4*	81,391	-	-	-	81,391	81,391
Reserve deposits at Central Bank	*5*	-	6,013	-	-	6,013	6,013
Held for trading investments	*6*	7,186	-	-	-	7,186	7,186
Available for sale investments	*7*	-	-	82,573	-	82,573	82,573
Loans and advances to customers[(2)]	*8*	-	241,190	-	-	241,190	241,190
Other asset		-	-	-	15,731	15,731	15,731
		88,577	247,203	82,573	15,731	434,084	434,084
Funds borrowed[(2)]	*12*	-	-	-	238,126	238,126	238,126
Debt securities issued	*13*	-	-	-	102,308	102,308	102,308
Current account of loan customers[(1)]	*14*	-	-	-	1,593	1,593	1,593
		-	-	-	342,027	342,027	342,027

(1) Included in other liabilities.

(2) The Bank management assumes that the fair values of the loans and funds borrowed approximate their carrying values since the majority of them are short-term.

	Notes	Trading	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
2012							
Cash and cash equivalents	*4*	14,057	-	-	-	14,057	14,057
Reserve deposits at Central Bank	*5*	-	5,225	-	-	5,225	5,225
Held for trading investments	*6*	8,068	-	-	-	8,068	8,068
Available for sale investments	*7*	-	-	56,888	-	56,888	56,888
Loans and advances to customers[(2)]	*8*	-	150,576	-	-	150,576	150,576
Other Asset		-	-	-	14,022	14,022	14,022
		22,125	155,801	56,888	14,022	248,836	248,836
Funds borrowed[(2)]	*12*	-	-	-	124,756	124,756	124,756
Current account of loan customers[(1)]	*14*	-	-	-	8,922	8,922	8,922
		-	-	-	133,678	133,678	133,678

(1) Included in other liabilities.

(2) The Bank management assumes that the fair values of the loans and funds borrowed approximate their carrying values since the majority of them are short-term.

Loans and advances to customers

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers 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.

(Currency - In thousands of Turkish Lira)

25. Financial risk management objectives and policies *(continued)*

g) Fair values *(continued)*

Fair values of remaining financial assets and liabilities carried at cost, including cash and cash equivalents, reserve deposits at Central Bank, current account of loan customers and funds borrowed are considered to approximate their respective carrying values due to their short-term nature.

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

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

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

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like forwards and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2013	*Note*	Level 1	Level 2	Level 3	Total
Held for trading investments	*6*	7,025	161	-	7,186
Available for sale investments	*7*	82,573	-	-	82,573
Derivative financial liabilities held for trading		-	(79)	-	(79)
		89,598	**82**	**-**	**89,680**

2012	*Note*	Level 1	Level 2	Level 3	Total
Held for trading investments	*6*	8,068	-	-	8,068
Available for sale investments	*7*	56,888	-	-	56,888
Derivative financial liabilities held for trading		-	(48)	-	(48)
		64,956	**(48)**	**-**	**64,908**

(Currency - In thousands of Turkish Lira)

26. Related parties

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.

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

2013	**Balance**	**Percentage of the financial statement amount (%)**
Cash loans	118,185	54%
Non-cash loans	217,227	58%
Funds borrowed / Current accounts of loan customers	36,416	15%

2012	**Balance**	**Percentage of the financial statement amount (%)**
Cash loans	80,335	53%
Non-cash loans	247,300	64%
Funds borrowed / Current accounts of loan customers	21,686	17%

As at 31 December 2013, no provisions have been recognised in respect of loans given to related parties (2012 – none).

Interest and commission income from related parties for the year ended 31 December 2013 amount to TL 2,912 for cash loans and TL 118 for non-cash loans (2012: TL 8,919 for cash loans and TL 1,448 for non-cash loans).

Compensation of key management personnel of the Bank

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 4,032 (2012 – TL 1,173) comprising salaries and other benefits.

27. Events after balance sheet date

None.