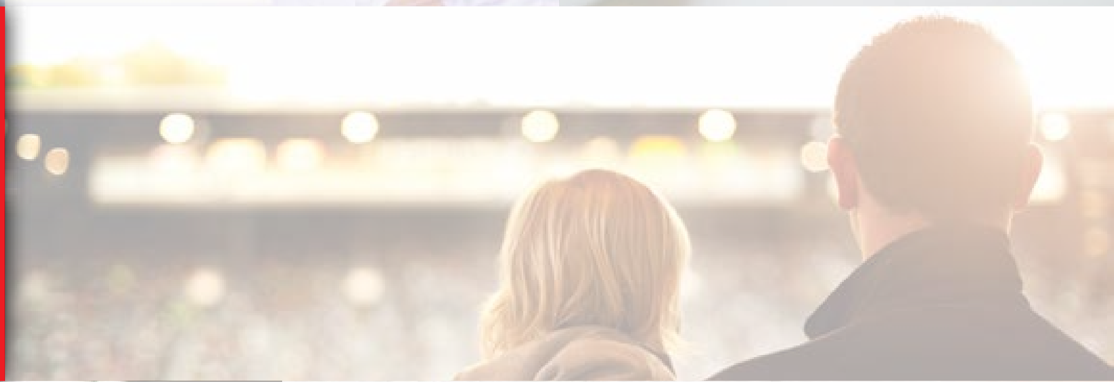


aktif bank
Local, Global

Annual Report 2014



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OUR VISION

“Local, Global”
Our vision is to approach products and services, developed with the target of being an effective financial group, provide a management structure and entire workflow with a global vision, create a decentralized work environment that embraces opportunities and risks in different geographies, and to perform sustainable, value-adding activities that respect the environment, not just in Turkey, but also throughout the region.

OUR MISSION

Our mission is to become a pioneering, smart and outstanding service organization that is a sought-after partner in the environment in which we operate.

ABOUT US

The Bank, without a conventional branch network, has become an institution offering products and services, providing 150,000 loans and executing 700,000 money transfers annually.

As Turkey's largest privately owned investment bank, Aktif Bank creates new values and takes important steps towards transforming these values into regional and, subsequently, global values. The Bank has succeeded in writing a new chapter of banking in Turkey with its "New Generation Banking" business model. The Bank has achieved such a high level of competence that it can offer its products and services from thousands of touch points without the need for opening branches. The Bank has generated returns with a Return On Average Assets (ROAA) of 0.59% and a Return On Average Equity (ROAE) of 3.91%.

While retail, corporate, investment and city banking comprise the axis of Aktif Bank's operations, the Bank also provides an extensive range of services, from money transfers to insurance, card products and extensive kiosk solutions, to its customers. These comprehensive and visionary features prompts Aktif Bank to not simply position itself as just a bank in essence, but also to cover a broader perspective and build its business model within this framework.

Since 2006, when Aktif Bank entered into a restructuring phase, the Bank has grown 94-fold in total. The Bank, without a conventional branch network, has become an institution offering products and services, providing 150,000 loans and executing 700,000 money transfers annually. The Bank has made new investments in numerous business lines in recent years and now the Bank is experiencing a period in which the profitability of these investments will further escalate.

Based on its investment banking perspective, Aktif Bank prioritizes the design of investment products covering all the needs of investors and develops significant opportunities for returns for them. Along these lines, the Bank has been the pioneer in the sector for many products and has introduced various new investment instruments to investors with both conventional and Islamic finance models.

Aktif Bank has become one of Turkey's most award winning institution internationally, not only for its success in terms of figures, but also for its performance in products, services and innovation through its world-wide payment systems, technology, quality, innovation, investment products, distribution channels and communication. The Bank has received 72 awards in total, including "The World's Most Innovative Bank" from major international competitions such as The Banker, Financial World Innovation, EFMA, Paybefore, VRL Financial and Global Banking & Finance Review. While such awards have brought our country's banking and finance sector great pride, they also illustrate Turkey's difference and innovative understanding.

TURKEY'S MOST LIQUID BANK BONDS

We offer high revenue opportunities to our investors wishing to utilize their resources efficiently in the short-term with our Aktif Bono® product, with a total issuance volume of TRY 13.8 billion as of year-end 2014.

AKTİF BONO

FINANCIAL INDICATORS

	2014	2013	Change
BALANCES WITH BANKS & MONEY MARKET PLACEMENTS	155,337	82,873	87%
TRADING SECURITIES (NET)	4,251	6,248	-32%
INVESTMENT SECURITIES (NET)	887,838	644,789	38%
LOANS & FACTORING RECEIVABLES (NET)	3,983,292	3,576,617	11%
FINANCIAL LEASE RECEIVABLES (NET)	-	1,252	-100%
SHAREHOLDERS' EQUITY	886,604	837,498	6%
TOTAL ASSETS	6,251,827	5,108,500	22%
GUARANTEES AND INDEMNITIES	991,109	993,470	0%
NET INTEREST INCOME	238,622	271,512	-12%
NET FEE AND COMMISSION INCOME	33,863	78,390	-57%
PROFIT BEFORE TAXES	41,439	160,912	-74%
PROVISION FOR TAXES ON INCOME	-7,714	-36,372	-79%
NET PROFIT	33,725	124,540	-73%

PERFORMANCE RATIOS

	2014	2013
CAPITAL ADEQUACY STANDARD RATIO	12.73%	13.23%
RETURN ON AVERAGE EQUITY	3.91%	19.22%
RETURN ON AVERAGE ASSETS (PROFIT BEFORE TAX BASIS)	0.73%	3.73%
RETURN ON AVERAGE ASSETS (NET PROFIT BASIS)	0.59%	2.89%
NET FEE AND COMMISSION INCOME / OPERATING COSTS	10.08%	32.52%
FIXED ASSETS (NET) / AVERAGE EQUITY	34.42%	37.29%
NON-PERFORMING LOANS / TOTAL LOANS	3.01%	2.46%
INTEREST INCOMES / INTEREST EXPENDITURES	174.02%	211.51%
YIELDING ASSETS / TOTAL ASSETS	80.47%	84.40%

CREDIT RATINGS BY RATING AGENCIES

JCR Eurasia Rating

Long-Term International Foreign Currency Rating	: BBB-/(Stable Outlook)
Long-Term International Domestic Currency Rating	: BBB-/(Stable Outlook)
Long-Term National Rating	: AA (Trk)/(Stable Outlook)
Short-Term International Foreign Currency Rating	: A - 3/(Stable Outlook)
Short-Term International Domestic Currency Rating	: A - 3/(Stable Outlook)
Short-Term National Rating	: A-1+ (Trk)/(Stable Outlook)
Sponsor Support Rating	: 3
Stand-Alone Rating	: AB

In 2014, JCR-Eurasia Rating evaluated Aktif Yatırım Bankası A.Ş. in the “High-Level Investment Grade Category” and affirmed its Long Term National Scale note as ‘AA (Trk)’, its International Local and Foreign Currency notes as “BBB-“, and its outlook as ‘Stable’.

CAPITAL AND SHAREHOLDING STRUCTURE

The Bank’s main shareholders and capital structure as of December 31, 2014 are shown in the following table:

Name Surname / Commercial Title	Total Value of Shares (Thousand TRY)	Share (%)	Paid Shares (Thousand TRY)	Unpaid Shares (%)
Çalık Holding A.Ş.	693,074	99.42	693,074	-
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	2,123	0.30	2,123	-
Ahmet Çalık	944	0.14	944	-
Başak Yönetim Sistemleri A.Ş.	472	0.07	472	-
Irmak Yönetim Sistemleri A.Ş.	472	0.07	472	-
Total	**697,085**	**100**	**697,085**	-

SECTORAL POSITION

As Turkey's largest privately owned investment bank, Aktif Bank continued its profitable growth in 2014 and grew 94-fold, when compared to 2007, expanding its asset size to TRY 6.3 billion.

Aktif Bank transformed into a huge platform in 2014, thanks to its pioneering projects that serve direct banking and were developed within the framework of the innovative 'New Generation Banking' business model.

As Turkey's largest privately owned investment bank, Aktif Bank continued its profitable growth in 2014 and grew 94-fold, when compared to 2007, expanding its asset size to TRY 6.3 billion. The Bank has generated returns with a Return On Average Assets (ROAA) of 0.59% and a Return On Average Equity (ROAE) of 3.91%.

Through strategic partnerships with Turkey's leading companies in consumer financing, Aktif Bank has become involved in providing services to the top brands in their respective sectors. Thanks to the efficient setup of the 'Remote Dealer Acquisition' model that was put into practice in 2014, Aktif Bank has doubled its number of sales points to 2,894. The Bank has become a valuable business partner for retailers with its loan facility offered to customers in coordination with dealers at the sales points.

Passolig cards, launched in April 2014 within the scope of the e-ticket project conducted with the Turkish Football Federation, enabled football fans secure and easy entrance to stadiums. As one of the world's most advanced fan cards, Passolig has scored a major success, exceeding 700,000 units of cards as of 2014, by providing the opportunity to use the cards for transportation and advantageous shopping. The system was launched and spread within the context of the City Banking approach, based on a value chain connecting all the stakeholders in the cities to each other. The system also supports the cities' transportation infrastructure with cutting edge technology to ensure that both the member merchants and the card users win, along with the city's football team, through the member merchant program.

The "N Kolay Point" model, aiming to provide a service point within walking distance where everyone can meet their daily and financial needs, has reached nearly 5,000 points, becoming prevalent in 81 provinces in 2014. The set of services provided by the kiosks at sales points was expanded with the addition of several functions, including match ticket sales and insurance payments, to the existing services, which included payment of invoices, GSM top-up and transportation top-up and, thus, it has turned into an ecosystem through which 2.5 million transactions are carried out per month.

The N Kolay Stores, which possess a market share in invoice payments equal to the sum of the entire banking sector in Istanbul, witnessed over 3.5 million transactions per month at 350 points and began to expand activities to other parts of Turkey in 2014.

Sigortayeri, one of the Bank's subsidiaries, implemented the flow, which completed insurance sales through SMS channels for the first time in Turkey in 2014. Thanks to its updated website and new mobile application, Sigortayeri offers products from more than 20 insurance companies to customers through the online channel and call center.

EKent, the largest integrator of the region's urban transport system, is now capable of providing services to a population of 50 million people in 35 cities, with stadium infrastructure projects carried out in 33 stadiums within the scope of the e-ticket project, in addition to its transportation projects. Adding value to the transportation infrastructure of many provinces across Turkey, EKent made its first overseas move by taking over the PortoPass project in Portugal with the experience and expertise gained domestically. The prepaid card, which will provide VIP entrance and discount access to tourist attractions in the city of Porto, which hosts 7 million tourists annually, will be applicable on tour buses and boats as well as in restaurants. With the motto "Smart cities, happy people", EKent is constantly developing its smart city solutions and using cutting edge technologies, EKent has developed the first validators working with Beacon technology, and entered this technology in the 2014 CeBIT Bilişim Eurasia fair. The Company is about to complete the integration steps of this innovative solution to existing transport options in the first quarter of the new year, which will provide citizens with the opportunity of using mobile phones while using transportation.

With Universal Payment Transfer® (UPT®), Turkey's first and only domestic global money transfer brand and Turkey's cheapest and most widespread money transfer system, which was implemented in 2010, an infrastructure enabling money transfers to 249 countries has been established. In 2014, some 700,000 money transfers were wired through this system.

PAVO, the exclusive partner of world-renowned Ingenico, one of the major players in the POS market in Turkey, provides member merchants with opportunities to grow their business without enlarging their shops by means of the value-added services developed in its payment registration devices with cash register features. Offering the fastest, easiest and most secure cash register POS device in Turkey, PAVO distinguished itself in the market by offering customized solutions to member merchants.

Aktif Bank created a new brand, "Shoop", as an investment made for one of the contestants of the "Bir Fikrin mi Var?" (Do you have an idea?) Contest sponsored by the Bank. Aiming to develop creative and innovative projects that enable brands to reach their customers, enhance communication with them and facilitate the daily lives of users, the company continues its efforts towards developing innovative communication techniques and mobile application software.

Aktif Bank continued its innovations in 2014 by offering innovative solutions in corporate banking, just like those created in retail banking.

The total issuance volume of Aktif Bono®, offering high revenue, has reached TRY 13.8 billion as of year-end 2014. Aktif Bank raised its number of bond customers above 1,000 with the customized proposals for different customer and professional groups, in addition to innovative products such as Progressive Aktif Bond and Dual Currency Bond (DCB). Turkey's first Asset-Backed Security (ABS) issuance, conducted in 2011 by Turkey's first Asset Finance Fund (AFF) established by Aktif Bank, continued in 2014. The total of the issuances performed in 2014, which drew great interest from the Turkish Capital Markets, amounted to TRY 450 million. The sum of all Asset-Backed Securities (ABS) issued by the Asset Finance Funds (AFF) exceeded TRY 1.8 billion as of year-end 2014.

In addition to financing the construction of the Istanbul Finance Center, Aktif Bank continued to issue Turkey's first Islamic debt instrument in 2014, initially executed in 2012. A new lease certificate was issued representing an asset pool worth TRY 100 million, and the Bank has pioneered Turkish markets in terms of applying Islamic finance models in the field of project funding.

One of the major projects implemented in 2013, the Arge Finans (R&D Financing) Program, became a platform providing support to entrepreneurs in 2014. Within the scope of this program, the application and the Letter of Guarantee procurement processes that entrepreneurs need for TÜBİTAK/TEYDEB prepayments have been carried on a web based, smart platform.

Reaching more than 600 correspondent banks in 108 countries during 2014, it further spread its connection network within the field. In parallel with Regional Banking approach, the Bank maintains its activities in the Balkans through subsidiary corporation BKT.

Strategic collaborations established with ICD, which finances private sector investments of the Islamic Development Bank (IDB), have been maintained. Activities are continuing through Euroasia Leasing Company in Tataristan and Kazakhstan Ijara Company in Kazakhstan.

In 2014, the Japanese JCR-Eurasia Rating evaluated Aktif Yatırım Bankası A.Ş. in the "High-Level Investment Grade Category", affirmed its Long Term National Scale note as 'AA (Trk)', its International Local and Foreign Currency notes as "BBB-" and its outlook as 'Stable'.

Amendments to the Articles of Association and Basis for Amendments

There were no amendments to the Articles of Associations in 2014.

The Group's subsidiary in the finance sector, Aktif Bank, is Turkey's largest privately owned investment bank. The subsidiaries in the innovative business models developed within the Bank have reached significant size.

Çalık Holding continues to add value in the areas in which it operates

Çalık Holding was founded in 1981 by Ahmet Çalık, a member of the Çalık family, whose commercial activities can be traced back to the 1930s. Currently, Çalık Holding operates in the energy, mining, construction and real estate, finance, textile and telecommunication sectors. As one of Turkey's largest industrial organizations, Çalık Holding employs almost 24,000 people in 17 countries. The Group continues its activities as one of the pioneers of Turkish investments in Central Asia, the Balkans, the Middle East and Africa.

The Energy Group, within the body of Çalık Holding, continued to grow its business volume in 2014 and with its noted reliability in the world's energy sector and through its business sense, it stands out from its competitors. The Energy Group has positioned itself among the preferred companies in geographies with rich energy reserves such as Central Asia, the Middle East and Africa. Çalık Enerji completed the construction of 3 power plants in the Turkmenistan cities of Ahal, Lehap and Mari. The 1,250 MW Al-Khairat Power Plant, completed by Çalık Enerji in Iraq, was selected the Best Global Project in the industrial field by 'Engineering News Record'. Çalık Enerji undertook its first business in Africa with the 525 MW Al Khums Power Plant Project in Libya.

The Energy Group's electricity distribution companies, ARAS EDAŞ, YEDAŞ and KEDS, which operate in Kosovo, continue their efforts in providing consumers with quality uninterrupted electrical energy and equipping their infrastructures with advanced technologies.

Gap Construction, which is included in the 'Top 250 International Contractors' list, laid the foundations of the Garaboğaz Fertilizer Plant project and the Turkmenbashi International Sea Port project, which consists of 6 ports and a shipyard, in Turkmenistan in 2014. In addition, the Company has completed the world's largest road landscaping project, spanning 800,000 square meters in Iraq.

Life has begun in the Şehrizar Konakları (Mansions), developed by Çalık Real Estate and built by Gap Construction in Üsküdar. The office and residential areas of Tarlabaşı 360, Turkey's first urban renewal project, which is recognized as one of the projects adding value to the city, with its architecture keeping in harmony with the historical texture of Istanbul, have been offered for sale.

The Group's subsidiary in the finance sector, Aktif Bank, is Turkey's largest privately owned investment bank. The subsidiaries in the innovative business models developed within the Bank have reached a significant size. Çalık Group's subsidiary operating in the Balkans, Banka Kombetare Tregtare (BKT), has reached its target of becoming the largest bank in Albania as of the end of June 2014.

Founded in 2006, Lidya Mining commenced activities in 2009 by initiating the first major international co-operation of the Turkish mining industry with Alacer Gold. Lidya possesses 2% of the shares of the Çöpler Gold Mine and 50% of the exploration portfolio along with Alacer Gold. The Company has taken steps to move from its investor position towards management and has become the operator of Polimetal Mining and the Dursunbey Project. Lidya is one of Turkey's leading mining companies, with a strong exploration and development team, offices in Istanbul and Ankara and projects and operations across Turkey. An option contract has been signed with Mariana Resources for the Hot Maden project in Artvin and drilling work has started as of year-end 2014. Lidya Mining closely follows opportunities in Turkey and the region.

Albtelecom & Eagle Mobile, the Group's company involved in telecommunications in Albania, raised its share in the fixed voice market to 76% in 2014. The Company has become the leading operator in number portability and has expanded its mobile top-up figures by 40% compared to the previous year.

Ranking among the world's top 10 premium denim manufacturers, Çalık Denim has an experienced representative in Los Angeles, United States and opened an office in Bangladesh in 2014. The amount of investments conducted by Çalık Denim since 2012 has reached USD 46 million. By means of these investments, the Company aims to improve its production capacity by 50% over the next three years. Despite being a very young company, Çalık Cotton, from the Textiles group, aims to become one of the world's top 10 cotton merchants within the next 10 years. Egypt and Bangladesh were added in May and June to the export sales markets, which began with China in April 2014. The Company's total sales volume has reached 60,000 tons, with growth of 154% compared to 2013. The new denim fabrics collection, the GAPPA DENIM brand, was created within the body of Gap Marketing, which operates in the fields of international trade and supply within the textile industry.

One of the most successful examples of entrepreneurship in Turkey, thanks to its organization and structure, Çalık Holding signed off on significant social responsibility projects in 2014 with the purpose of developing an entrepreneurial ecosystem and supporting national development. Within the scope of the "İlk İşim Girişim" (My First Job is Entrepreneurship) project, conducted in cooperation with Yıldız Technical University, entrepreneurial projects from many regions across the country are evaluated and financing and joint investment opportunities amounting to TRY 1 million are provided by Çalık Holding's subsidiary, Aktif Bank, to selected projects.

Çalık Holding steps forward as a leader and robust player with its reputation and reliability in the main sectors in which it operates and with its long-established corporate structure, highly-qualified human resources, pioneering enterprises, innovative approaches and well-placed strategies.

MESSAGE FROM THE CHAIRMAN

Designing and implementing investment products that cover all the needs of customers and develop significant return opportunities, Aktif Bank has won 72 international awards in the last 4 years, thanks to its successful business model and products.

Dear Shareholders,

One of the most important pillars of Turkey's economy is the banking and finance sector, which has continued its strong and powerful outlook, based on the structural reforms undertaken in previous years, despite the crises. According to the "Turkish Banking Sector Key Indicators Report", published by the Banking Regulation and Supervision Agency (BRSA) in December 2014, the total asset size of the sector grew by 15.1% to TRY 1,994,238 million during the period of December 2014 compared to the previous year-end. The Turkish banking sector's net profit for the period as of December 2014 reached TRY 24.6 billion. The share of commercial and corporate loans in total loans was 44%, while the shares of small business and consumer loans were 27% and 29%, respectively. Our banking sector is fulfilling its mission to support the real sector, which should be its principal business.

Aktif Bank, which operates under the umbrella of Çalık Holding and is Turkey's largest privately-owned investment bank, has succeeded in becoming one of Turkey's fastest growing banks with the highest profitability as well. The Bank has grown a full 94-fold during this period.

Focusing mainly on retail banking, investment banking and city banking, together with its subsidiaries operating in various fields, Aktif Bank provides a wide range of services to its customers. This comprehensive and visionary perspective helps Aktif Bank to position itself in a broader context than just a bank, and to formulate its business model within this context. Our subsidiaries in creative business models developed at Aktif Bank have also reached significant sizes.

The diversity created by Aktif Bank in its distribution network is the primary point that differentiates the Bank from its competitors. Aktif Bank operates in many different channels in order to offer financial services to customers in different segments with different needs. Despite being a young bank in the industry, Aktif Bank has made many breakthroughs. Turkey's first domestic money transfer brand, UPT, the first Asset Backed issue in Turkey, the first Islamic Participation Certificate in Turkey and the first bank bonds denominated in TRY are among the innovations and firsts introduced by Aktif Bank.

Designing and implementing investment products, which cover all the needs of customers and develop significant return opportunities, Aktif Bank has won 72 international awards within the last 4 years thanks to its successful business model and products. One of these was the first prize granted in May 2014 in the "Islamic Finance Deal of the Year" category in the European Region, for its successful execution of Sukuk/Lease Certificates issuances within the scope of the project funding of the Istanbul International Financial Center in the "Deals of the Year" competition organized every year by the world's leading publication, The Banker.

I believe that Aktif Bank's contributions to our investors and the national economy will rise incrementally, while continuing to be an example to the industry by developing reliable and profitable instruments for investors.

Sincerely,

Ahmet Çalık

MESSAGE FROM THE CEO

Aktif Bank and its subsidiaries will continue in 2015 to add sustainable value for all stakeholders with its strong staff, innovative service concept, experience and customer-oriented approach that respects the environment.

Dear Shareholders,

We are going through a period in which the fluctuations occurring in the global and local markets and growing competition further narrow the industry's profit margins. While the number of bank branches illustrate the Banks' strength and future potential, we can see that this perspective has begun to change due to shrinking profit margins and evolving technology. A future obviously awaits us in which traditional banking models will change radically and the competitive field will expand with solutions touching the financial sector from the world's technology and telecommunications giants. At Aktif Bank, we have already observed this direction in banking in the world and in Turkey and, thus, preferred to establish our business model on innovative physical distribution channels as well as mobile and online solutions that use cutting edge technologies.

Without opening new branches, we have established a distribution network that is easily accessible to customers. We fostered this innovative distribution network with innovative products and by investing in the most advanced technologies. In 2014, we expanded this network to the extent of being able to offer smart city services to 50 million people in Turkey as well as meeting our customers' needs with 140,000 insurance policies, 150,000 consumer loans, 700,000 money transfers and over 6 million transactions per month through N Kolay platforms.

In 2015, Aktif Bank and its subsidiaries will continue to add sustainable value to all stakeholders with its strong staff, innovative service concept, expertise and customer-oriented approach that respects the environment. Our goal is to add to the 72 international awards we received over the last 4 years, including the "World's Most Innovative Bank" award, and to further raise the bar that we have already set high, both in the banking sector and in all sectors we're involved in.

Sincerely,

Galip Tözge

BOARD OF DIRECTORS

AHMET ÇALIK
Chairman

Born in Malatya in 1958, Ahmet Çalık began his professional career by establishing Ortadoğu Tekstil Ticaret ve Sanayi A.Ş. in 1981. Coming from a family engaged in the textile sector since the 1930s, he made the first large-scale industrial investment of East Anatolia by establishing Gap Güneydoğu Tekstil San. ve Tic. A.Ş.. In the same period, he commenced his first overseas investments in Turkmenistan, a newly independent Central Asian country, in line with his operation and investment targets. Putting the vast commercial experience he built up over the years in Turkey since 1992 to good use abroad, Çalık has spearheaded major investments in various business lines such as energy, telecom, finance, construction, textiles and mining in several countries. He established Çalık Holding, with the intention of bringing all Group companies together under the same roof in 1997. As one of the major Turkish investors in Albania and Kosovo, Çalık was awarded the Turkmenistan Government Badge and Mahdum Guli Award in 1997, the Turkish Republic Distinguished Service Medal and Turkmenistan "Gayrat" Medal in 1999, Turkmenistan Golden Era Badge in 2001, the Turkish Republic Ministry of Foreign Affairs Distinguished Service Medal in June 2002 and the Turkish Grand National Assembly's (TBMM) Distinguished Service Prize in 2006, and Turkey in Europe - Franco Nobili Award in 2010. Appointed as the Honorary Consul for Bursa by the Republic of Kazakhstan in 2012, and recipient of the Ellis Island Medal of Honor granted by the National Ethnic Coalition of Organizations (NECO) in 2014, Çalık was also awarded with Honorary Doctorate Degrees by the Japanese Matsumoto Dental University and the Albanian University of Tirana in the same year. He currently serves as the Chairman of Çalık Holding Companies, employing around 24,000 people in 17 countries, extending over Central Asia to the Middle East and from the Balkans to North Africa.

MEHMET USTA
Deputy Chairman

Born in 1950, Mehmet Usta graduated from the Department of Economics and Finance at Eskişehir Academy of Economic and Administrative Sciences. With over 35 years of banking experience, he served at Anadolu Bank in various positions between 1979 and 1987 and held a variety of executive positions in a number of locations both at home and abroad at Emlak Bank between 1987 and 1994. He worked at Banque du Bosphore in Paris from 1993 to March 2007 as Chief Executive Officer and as a member of the Board of Directors. He was appointed Deputy Chairman at Aktif Bank in April 2008. He has been serving as Chairman of Banka Kombetare Tregtare, which operates in Albania and Kosovo, since July 2009. Usta has also has been serving as a Member of the Board of Directors of the Brussels-based World Savings and Retail Banking Institute (WSBI) since May, 2012.

MEHMET ERTUĞRUL GÜRLER
Board Member

Born in 1958, Mehmet Ertuğrul Gürler graduated from the Faculty of Economics at Marmara University and has 37 years of professional experience. He served at various positions at Dow Türkiye A.Ş. between 1987 and 1994, including the post of CFO and as a Member of the Board of Directors. He served as Assistant General Manager and Secretary General at Total Oil Türkiye A.Ş. from 1994 until joining Çalık Holding as General Manager in 1998. He currently serves as Deputy Chairman at Çalık Holding, Banka Kombetare Tregtare and Gap Güneydoğu Tekstil, while he also serves as a Member of the Board of Directors of Aktif Bank, ALBTelecom, Gap Construction and Gap Marketing, and as Chairman at YEPAŞ.

VEYSEL ŞAHİN
Board Member

Born in 1959, Veysel Şahin graduated from the Department of Public Administration at the Ankara Academy of Economic and Commercial Sciences, and holds a Master's in Business Management at Bahçeşehir University. Having started his banking career as an Assistant Inspector, Şahin served at Anadolu Bank, Emlak Bank and Ziraat Bank in various positions, including unit and branch manager, foreign representative and Head of the Inspection Committee. He also served as a member of the Inspection Committee at Axa Insurance and as a member of the Board of Directors at TKI Bank Kazakhstan. He has been serving as a member of the Board of Directors and Audit Committee at Aktif Bank since 2009.

İZZET SERHAT DEMİR
Board Member

Born in 1974, İzzet Serhat Demir graduated from Faculty of Law at Istanbul University and has a Master's degree in Business Administration. He started his career as a manager in a private company and has 17 years of work experience. He joined Çalık Holding A.Ş. in 2007 as Legal Affairs Director. He is also currently a board member of Çalık Holding AŞ, Banka Kombetare Tregtare (BKT) and Albtelecom.

GALİP TÖZGE
CEO and Board Member

Born in 1967, Galip Tözge graduated from Economics in English at Marmara University and received his Master's in Business Administration from Missouri University. He started his career in the banking sector at Citibank in 1993. He served at various positions in Corporate and Retail Banking from 1993 to 2002. Between 1999 and 2002, he worked as Vice President of Retail Banking. In 2002, he joined Akbank and held a variety of top management positions in different areas including Branch Management, SME Banking, CRM, Alternative Distribution Channels and Retail Banking, as well as being a member of the Board of Directors in Ak Asset Management and Ak Investment Securities. He has been serving as a Member of the Board of Directors and CEO of Aktif Bank since the beginning of 2015.

Dr. ÖNDER HALİSDEMİR
CEO and Board Member
Resigned from his position on January 6, 2015.

SENIOR MANAGEMENT

GALİP TÖZGE
CEO and Board Member

Born in 1967, Galip Tözge graduated from Economics in English at Marmara University and received his Master's in Business Administration from Missouri University. He started his career in the banking sector at Citibank in 1993 and served at various positions in Corporate and Retail Banking from 1993 to 2002. Between 1999 and 2002, he worked as Vice President of Retail Banking. In 2002, he joined Akbank and held a variety of top management positions in different areas including Branch Management, SME Banking, CRM, Alternative Distribution Channels and Retail Banking, as well as being a member of the Board of Directors in Ak Asset Management and Ak Investment Securities. He has been serving as a Member of the Board of Directors and CEO of Aktif Bank since the beginning of 2015.

AHMET ERDAL GÜNCAN
Executive Vice President, Corporate Banking Group

Born in 1969 Ahmet Erdal Güncan graduated from the Department of Civil Engineering Department at Istanbul Technical University and holds a Master's in Construction Management from the same university. He has 19 years of banking experience and joined Aktif Bank in 2008.

YILDIRIM ULUSOY
Executive Vice President, Human Resources Organization and Support Services Group

Born in 1973, Yıldırım Ulusoy graduated from the Department of International Relations in Galatarasay University's Faculty of Economic and Administrative Sciences. He received his Master's degree from INSEEC-Paris in Business Management and has 16 years of banking experience. He joined Aktif Bank in 2007.

MUSTAFA SAVAŞ SEPİN
Executive Vice President, Finance Group

Born in 1976, Savaş Sepin graduated from the Department of Civil Engineering, Faculty of Engineering at Istanbul Technical University and received his Master's in Business Administration at Boğaziçi University. With 11 years of experience, he joined Aktif Bank in 2014.

ÖMER ÜNVEREN
Executive Vice President, Treasury Group

Born in 1976, Ömer Ünveren graduated from the Faculty of Political Sciences, Department of Business Administration at Istanbul University. He has 13 years of banking experience and joined Aktif Bank in 2014.

KEMALEDDİN KOYUNCU
Executive Vice President, Regulation and Legal Affairs Group

Born in 1970, Kemaleddin Koyuncu graduated from the Department of Business Administration at Middle East Technical University and received his MBA from the University of Illinois at Urbana-Champaign. With 23 years of experience, he joined Aktif Bank in 2015.

SENIOR MANAGEMENT

UĞUR GÖKHAN ÖZDİNÇ
Executive Vice President, Information Technologies and Operation Group

Born in 1975, Gökhan Özdinç graduated from the Department of Computer Engineering at Boğaziçi University, where he also completed his MBA and PHD in Business Administration. He has 15 years of banking experience and works as a part-time faculty member in the MIS and Computer Engineering Departments at Boğaziçi University. He joined Aktif Bank in 2014.

MUZAFFER SUAT UTKU
Managing Director, Financial Institutions Group

Born in 1974, Muzaffer Suat Utku graduated from the US International University San Diego School of Business Administration and completed his MBA at University College London. He has been in the banking field for 15 years and joined Aktif Bank in 2007.

M. FURKAN ÜNAL
Managing Director, Corporate Finance and Investments Group

Born in 1985, Muhammed Furkan Ünal graduated from the Faculty of Engineering at Uludağ University and holds a Master's from Bilgi University in Business Management. Ünal has worked as investment banking, project management and senior management consultant in the private sector, public institutions and multi-national corporations and has 8 years of experience in these areas. He joined Aktif Bank in 2013.

Our Executives Who Retired From Office

CEO and Board Member Dr. Önder Halisdemir (January 2015), Executive Vice Presidents; Savaş Çoban (October 2014), Dr. İhsan Uğur Delikanlı (April 2014), Murat Emre Duman (January 2015), Dr. Raci Kaya (March 2014), Nilgün Kuruöz (June 2014), Mutlu Özdemir (October 2014), Dr. Serdar Sümer (October 2014), Kamil Enis Tuna (November 2014), Ferda Önen Cemri (February 2015), Chief Legal Counsel Uğur Nabi Yalçın (January 2015) and Managing Director Volkan Cengiz Gözeğer (January 2015).

Directors of Internal Systems

MURAT BARLAS
Managing Director, Risk Management Department
Born in 1968, Murat Barlas graduated from the Department of Mathematics in the Faculty of Science at İstanbul University. With 19 years of banking experience, he joined Aktif Bank in 2007.

YUSUF A. KARADAĞ
Managing Director, Internal Audit and Control Group
Born in 1974, Yusuf A. Karadağ graduated from the Department of Political Science and International Relations in the Faculty of Economic and Administrative Sciences at Boğaziçi University. With 17 years of banking experience, he joined Aktif Bank in 2007.

VOLKAN KÖLEGE
Director, Internal Control Department
Born in 1977, Volkan Kölege graduated from Anatolian University Faculty of Economics and Administrative Sciences. With 15 years of banking experience, he joined Aktif Bank in 2008.

ALİ GÜLCAN
Senior Director, Fraud Prevention Department
Born in 1980, Ali Gülcan graduated from the Spanish Language and Literature Department at Istanbul University Faculty of Literature. He has 15 years of banking experience and joined Aktif Bank in 2012.

RECEP ÖZER
Director, Internal Audit Department
Born in 1980, Recep Özer graduated from the Economics (in English) Department at Hacettepe University Faculty of Economics and Administrative Sciences. His career spans 9½ years of banking experience. He joined Aktif Bank in 2012.

PINAR GÜRKAN
Manager, Compliance Department
Born in 1981, Pınar Gürkan graduated from the Econometrics Department at Marmara University Faculty of Economics and Administrative Sciences. Her career spans 10 years of banking experience. She joined Aktif Bank in 2009.

Committees

Audit Committee

In order to assist with the audit and supervision activities that fall under its responsibility, the Board of Directors has appointed an Audit Committee consisting of at least two of its members, Internal Systems Coordinators, who meet the qualifications specified by the Banking Regulation and Supervision Agency to jointly conduct the administration, management and operation of the departments within the Bank's Internal Systems.

The Audit Committee monitors the efficiency and adequacy of the Bank's Internal Systems, the implementation of these systems, as well as its accounting and reporting systems, within the framework of Banking Law, other legal provisions and the Bank's internal regulations, as well as the integrity of the information produced. It also conducts necessary preliminary evaluations for the selection of independent auditors and ranking, rating and support service organizations by the Board of Directors, regularly monitors the activities of the organizations that have been appointed by the Board of Directors and with which an agreement has been signed, and ensures the coordination and the consolidated implementation of internal audit activities covering all departments, units and branches, on behalf of the Board of Directors.

The committee reports to the Board of Directors at least once every 6 months on issues pertaining to audit activities.

Committee Members

Mehmet Usta
Chairman of the Audit Committee

Veysel Şahin
Member of the Audit Committee

Credit Committee

The Credit Committee consists of the CEO and two persons elected from among those Members of the Board who meet all the criteria, professionally and in terms of qualifications, required of the CEO, and who, in their role as committee members, will exercise their authority delegated by the Board of Directors to open credit lines.

Full Members of the Credit Committee

Mehmet Usta
Chairman of the Credit Committee

Mehmet Ertuğrul Gürler
Vice Chairman of the Credit Committee

Galip Tözge
Member of the Credit Committee - CEO

Alternate Members of the Credit Committee

Veysel Şahin
1st Alternate Member

İzzet Serhat Demir
2nd Alternate Member

Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring compliance with the Bank's corporate governance principles (mission and vision, corporate values and ethical rules, association, the Bank's internal regulations and general bank regulations, etc.), striving to improve compliance with corporate governance principles and presenting advice to the Board of Directors in this regard.

The Bank's Corporate Governance Committee meets once, or more if necessary, each year with the participation of all members. Other participants may also be invited to meetings by the Chairman of the Committee. The Bank's Corporate Governance Principles Compliance Report for 2014 was prepared and published on the corporate website.

Committee Members

Mehmet Usta
Deputy Chairman of the Board, Chairman of the Committee

Veysel Şahin
Member of the Board, Vice Chairman of the Committee

Yıldırım Ulusoy
Executive Vice President, Human Resources Organization and Support Services Group - Member of the Committee

Pricing Committee

The Pricing Committee is responsible for evaluating pricing policies and applications formed by the General Directorate within the framework of risk management and presenting advice within this framework in a report submitted annually to the Board of Directors.

Committee Members

Mehmet Usta
Deputy Chairman of the Board, Chairman of the Committee

Mehmet Ertuğrul Gürler
Member of the Board, Vice Chairman of the Committee

The Pricing Committee meets once every year with the participation of all members with an ordinary agenda, with extraordinary meetings if necessary. The Chairman of the Committee has the right to invite other participants to meetings as deemed necessary.

Information on Committee Members' attendance at the related meetings held within the accounting year, based on the third sub paragraph of subsection (b) of article 6's first paragraph of the Regulation on Procedures and Principles on the Preparation and Publishing of Annual Reports by the Board, Committee and the Banks:

The Board of Directors convened once every month. In addition, the Board of Directors held extraordinary meetings as deemed necessary.

Asset - Liability Committee

The Asset/Liability Committee is an advisory board that establishes the financial policies and strategies required for the management of the Bank's assets and liabilities in relation to liquidity shortages, exchange rate risk and capital adequacy.

Committee Members

Galip Tözge
CEO, Chairman of the Committee

Ahmet Erdal Güncan
Executive Vice President, Corporate Banking Group

Ömer Ünveren
Executive Vice President, Treasury Group

Mustafa Savaş Sepin
Executive Vice President, Finance Group

Ayşegül Adaca
Managing Director, Retail Banking Group

Executive Committee

The Executive Committee is an advisory and decision-making body, convening to determine the Bank's commercial policies in line with economic and budget targets, to confirm commercial performance by comparing commercial activity results with the budget, to share vital activity summaries of the Bank and related Groups for the previous two weeks, which may impact the Bank's strategy, to exchange information about developments/news and significant organizational changes within the Group, to give information about top priority/critical works at the Groups, to revise new business ventures that may have notable impact on the Bank, to make common decisions related to their prioritization and implementation, to make evaluations on previous Executive Committee resolutions, to set out actions to deal with problematic situations, and to make joint decisions on situations affecting the other Groups.

Galip Tözge
CEO, Chairman of the Committee

Haluk Yum
N Kolay Store General Manager

Ali Murat Elkaya
N Kolay Point General Manager

Erol Ulu
UPT General Manager

Özgür Gündoğan
Asset General Manager

İbrahim Yılmaz
EKent General Manager

Ömer Ünveren
Executive Vice President, Treasury Group

Mustafa Savaş Sepin
Executive Vice President, Finance Group

Ahmet Erdal Güncan
Executive Vice President, Corporate Banking Group

Yıldırım Ulusoy
Executive Vice President, Human Resources Organization and Support Services

Uğur Gökhan Özdinç
Executive Vice President, Information Technologies and Operation Group

Kemaleddin Koyuncu
Executive Vice President, Regulation and Legal Affairs Group

Ayşegül Adaca
Managing Director, Retail Banking Group

Muzaffer Suat Utku
Managing Director, Financial Institutions Group

Muhammed Furkan Ünal
Managing Director, Corporate Finance and Investments Group

Summary of the 2014 Board of Directors Report Presented to the General Assembly

Dear Shareholders,

Our Bank completed a productive year in 2014, thanks to the successful work of the management team and efforts to accomplish all activities. As a result of activities conducted throughout 2014:

1. Our net profit was TRY 33,725 and total asset size was TRY 6,251,827. With these results, our profit decreased by 72.92% and size of assets rose by 22.38% when compared to the previous year.
2. Our capital adequacy ratio stood at 12.73%. Our Bank succeeded in meeting the equity requirements due to balance sheet growth with the profit obtained from operations in the period.
3. Our Bank has been one of the most profitable banks in the sector, with an average Return on Equity of 3.91% and an average Return on Assets of 0.59%.
4. Our non-equity foreign assets pioneered growth, surging by 25.62% to TRY 5,365,223. This significant development in foreign assets' inflow is a highly positive development in terms of our Bank's credibility.
5. Our cash credits increased by 11.33% compared to the previous year, rising to TRY 3,983,292.
6. The NPL ratio stood at 3.01%. Given these results, while growing quite significantly in balance sheet terms, Aktif Bank has maintained its profitability and asset quality at a high level.

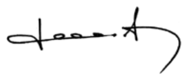
We submit the Financial Statements of our Bank showing the activity outcomes pertaining to the Balance Sheet period January 1, 2014 – December 31, 2014, the respective highlights and footnotes, Independent Auditors' Report and Auditors' report for your examination and approval.

Pending Board approval, we present the adoption of this "Report" herein, and other reports submitted to you, and the release of our Board of Directors for your evaluation and approval. We would like to express our warmest greetings, wishing you an even more productive and profitable year.

Sincerely,

On Behalf of Aktif Investment Bank A.Ş. Board of Directors

AHMET ÇALIK
CHAIRMAN



MEHMET USTA
DEPUTY CHAIRMAN

The Retail Banking Group expanded its Universal Payment Transfer® (UPT®) services at 4,700 PTT offices across Turkey, reaching a total number of over 1.8 million transactions in a short period.

Retail Banking Group

The Retail Banking Group expanded its Universal Payment Transfer® (UPT®) services at 4,700 PTT offices across Turkey, reaching a total of over 1.8 million transactions in a short period. UPT® continues its journey, which started in Turkey in 2010, as a global money transfer brand. Approximately 2,000 of the PTTMatik (ATM) machines offer banking operations 24/7. International money transfer services are provided at 400,000 points in 222 countries. The Bank maintained its leadership in 2014 among banks offering loan facilities through PTT and boosted its loans volume to TRY 4 million.

In 2014, the Retail Banking Group implemented new business models and sectors geared towards retailer loans in consumer finance, which is one of the Group's key areas of activity, opening up to a broader section of over 42,000 customers, with extension services worth TRY 115 million against 100,000 applications. The Group signed cooperation agreements and worked with İstikbal, Bellona, Doğtaş, Kelebek, Alfemo and Yataş in the furniture sector, with Turkey's leading brands such as Arçelik, Beko, BSH and Vestel in the white and brown goods market and with natural gas supply companies such as Agdaş, Bursagaz, Kayserigaz and İzgaz in the heating sector. Aktif Bank became the sole business partner applying the system, which controls the delivery and installation of products through retailers. Aktif Bank became the first business partner of all brands it cooperated with, to implement an operational system that controls the delivery and assembly of the product through the retailer by means of online credits. The aim is to continue development in consumer financing loans, which have reached a considerable volume and balance as of year-end 2014, and to achieve a leading position in Consumer Financing in Turkey in 2015.

As for corporate communications, the Group raised the Bank's and its subsidiaries' brand recognition and reputation through its successful work in the fields of advertising, brand management, public relations, media relations, media purchasing, sponsorship, positioning of websites and digital communication and the effective representation of the Bank and its subsidiaries in international competitions. It has thus strengthened the unique position of the Bank within the sector. In 2015, the Group will continue its activities on establishing and maintaining positive images in terms of corporate culture and concepts of the Bank and its subsidiaries.

NEW SHOPPING AND SECURE OPERATION POINTS

We conduct 6 million payment transactions, invoice payments in particular, at our subsidiaries, N Kolay Points and Stores, serving around 5,500 locations across Turkey.

Corporate Banking Group

Centered on collaboration with Aktif Bank subsidiaries, the Corporate Banking Group develops strategies that are free from conventional methods and that create competitive advantages. The Group contributes to the overall efficiency and profitability of the Bank by utilizing existing channels and facilities in the most effective way.

In this context, the Group designs sector-specific and innovative projects, in line with the overall strategy of the Bank, with cash management products and integrated banking solutions, and creates favorable banking packages to expand the business volume of the subsidiaries.

The cash management products and integrated financial solutions, developed within the context of city technologies together with EKent A.Ş., and the structured financing models geared toward the needs of football clubs in the field of sports entered into with Passolig, are among the outstanding projects in this area.

Real estate urban renewal projects constitute another of the Bank's main areas of concentration. These projects, based on revenue and profit sharing and supported by innovative financing models, are carried out in synergy with Emlak Girişim A.Ş. in the field of Real Estate Development.

The Arge Finans (R&D Financing) Program, developed for pre-financing needs experienced with TÜBİTAK / TEYDEB projects, provides convenience and dominance to entrepreneurs by way of credit opportunities without collateral and a system that can be monitored online.

The Group will continue in 2015 to identify prominent trade and investment opportunities within focused geographical zones in accordance with the Bank's Corporate Banking vision.

Corporate Finance and Investments Group

The Group operates in 4 different areas, composed of venture capital/angel investments, M&A, corporate consultancy and structured financing. Specialization in the assessment of new business plans and ideas and determination of potential firms to be invested in, as well as the management of mergers and acquisition processes, the Group also provides business development management and consultancy services to investor companies, group companies and non-group domestic and foreign customers. In addition to provision of financing to the Bank and its customers through capital and financing products structured in the capital markets, provision of financing to public and private sector projects is also positioned under the group's extensive range of services. In this context, the group performed two acquisitions, consultation for the establishment of two companies and provided consultation on various mergers and acquisitions to international groups in 2014. The Group will continue in 2015 to find appropriate and productive investments, to establish correct designs and structures and, accordingly, to offer value added services in line with the needs of the Bank, group companies and private investors.

Treasury Group

The Group contributed to its growth and profitability at a significant level in 2013 by means of efficient pricing in the various types of transactions required by the Bank's balance sheet development. Thanks to the inter-institutional relations it develops each year and intensive second-hand transactions, the Group played a key role in successful sales of capital markets products. While the Bank participates in the market with non-interest bearing financial instruments in addition to Asset Backed Securities, Aktif Bono®, a market classic, has become one of the most popular options for investors wishing to utilize their resources efficiently in the short term. The new Bonds and Bills Fund introduced to the market by the Treasury Group and that mainly invests in private sector debt instruments, stood out with its superior performance in 2013, when the fund met with its investors. While the Group continuously expands its product range, the entire personnel within the group possess advanced and derivative CMB licenses and they penetrate the market deeply in all treasury transactions, spot and derivatives, by consolidating training with experience. The Group successfully achieved its policy of expanding its retail customer base with the special banking team structured within its own body in 2014. It will continue its efforts towards becoming a reliable partner for domestic and overseas market players in the area of treasury transactions in 2015.

Financial Institutions Group

The Financial Institutions Group continued to facilitate its customers' foreign trade and treasury transactions by obtaining new cash and non-cash lines without pause in 2014. The Bank expanded its source of loans allocated through domestic and foreign banks by 50% by raising the number of correspondent banks to over 600. Foreign trade transaction volume mediated by Aktif Bank demonstrated a successful growing trend, with its correspondent banking network spreading to 108 countries. Additionally, the trading volume in the field of Islamic Financing obtained from foreign resident banks in 2014 has also been expanded 50-fold, compared to the previous year. It was a very successful year in terms of the marketing abroad of Aktif Bank's capital market products and new ground was broken in long-term funding. The Group will develop and continue its related successful studies in parallel with the Bank's strategies and requirements in 2015.

Credit and Risk Group

The Credit and Risk Group is the party in charge of the credit risk management, credit allocation, utilization, monitoring, tracking and risk analysis of retail and corporate loans in 2014. While creating synergy with the subsidiaries in areas providing added value, the group successfully carries out credit modeling with its project-based allocation philosophy, based on cash flows in different sectors. The management of the decision system, developed by the Group and integrated into the intelligent sources, managed, according to dynamic market conditions and various approaches of product and risk model dependent on and adjusted according to needs, is being conducted by the Credit and Risk Group, increasing the effectiveness of the decision system, thus providing great advantage in both competition and risk management. In 2014, the Group facilitated integration with the Bank's innovative credit products and structured the credit allocation and risk monitoring processes in a compatible way with the products in question. The Group monitored credit risks proactively and sustained necessary measures according to pre-identified risks and research results. The Group will continue to follow all credit facility stages regularly and to execute efficient risk management for credit limits and risks based on collateral, sector and creditworthiness ratings through regular studies in 2015 as well.

Finance Group

In 2014, the Finance Group, which plays a significant role in terms of the Bank's development and realization of its business goals, successfully maintained its activities connected with the healthy functioning of the Bank's accounting and reporting systems, timely fulfilling of tax and similar obligations in full. Moreover, the Bank's medium and long-term projections were prepared and budgeting activities were carried out as the Bank's financial situation and profitability were analyzed. In addition to its existing functions of implementing financial obligations, the Group will carry on with its studies on efficient reporting of the Bank's financial stability monitoring and continuity in 2015.

Information Technologies and Operation Group

By investing in current technologies in the area of information technology and operations, Aktif Bank provides its customers with fast, uninterrupted and high quality service with its strong infrastructure and effective processes. The organizational structure and methodologies applied are configured at a high quality to be able to respond quickly to changing market conditions and to produce services and products in a timely manner.

The Group supported its diversity of products and services, extending rapidly in many areas, banking, finance and retail in particular, in 2014 through effective outsourcing, intelligent flexible processes, systems support, high efficiency and operational risk management strategies.

Having completed the necessary systems, process and operational structuring required in the field of payment systems, the group also successfully managed the MasterCard, VISA and ICC certifications of the Bank. The first debit, credit and prepaid cards and the POS devices of the Bank were commissioned and began to spread. Speed, quality and productivity gains were achieved in collection systems by implementing the Bank's cash collection systems infrastructure. In investment banking, the operational systems and processes of many newly configured different products were put into service.

In 2014, in the field of information technology, the Group conducted operations for the implementation of investments in technological infrastructure to deliver fast, uninterrupted and quality service to its customers, in line with the Bank's vision and business plans.

Database and data warehouse platforms have been moved to new generation platforms, significant improvements were made in system performances and studies were carried out within the scope of system redundancy and the Emergency Center. New technologies were commissioned in network infrastructure and modernization works were kicked off in the application and technology infrastructures of internet banking, mobile banking and call center.

In the area of Operations, the Bank continued with a strong central structure based on automation. The number of customers served has reached 2.5 million, more than doubling the number from the previous year, thanks to its strong operational model and optimal resource upswell. A total of 57 million transactions from different channels were managed successfully. The number of cards reached 700,000 as a result of effective and well-designed operational processes and outsourcing management.

The organizational structure was strengthened in ADC operations in order both to provide service to growing operations and new products and to improve quality. Fluctuations in demand were primarily managed with effective use of external resources and significant growth was achieved in the levels of products, services and competence provided through the call center. The line capacity was trebled, while the number of calls taken quadrupled, reaching 2 million.

In 2015, the Information Technologies and Operations Group will continue to provide scalable, innovative, uninterrupted and high performance services, with features to respond to technological needs, new products and services of the Bank and its subsidiaries and to contribute to the achievement of the objectives of the Bank and its subsidiaries by developing solutions for improving the quality of services with operational efficiency.

Regulation and Legal Affairs Group

In 2013, the Group prepared contracts, warranty documents and additional project documents in close cooperation with selected organizations, completing the legal infrastructure of many high-priced partnership projects designed in parallel with the Bank's objectives. In the meantime, contracts and other documents were prepared for new business relationships into which the Bank will enter, in order to secure the use of external resources. Legal amendments were closely tracked and business units were informed in order to guarantee full legal compliance. As part of its legal consultancy function, the Group continued to create added value for the Bank by evaluating all legal issues arising at branches or headquarters. Problems were solved according to legal regulations, case precedents and jurisprudence. In addition, the Group provided legal consultancy services to the subsidiaries in which the Bank owns shares, in accordance with the activity expansion permit issued by the BRSA.

SUBSIDIARIES

In 2015, Sigortayeri aims to expand the insurance business to public reach by providing on-site and instantaneous access to insurance as the broker with the widest distribution network via e-trade, physical points of contact, telemarketing and mobile platforms.

Sigortayeri

Sigortayeri.com is an e-trade platform, which has thoroughly changed the understanding of insurance, offering products from all insurance companies that it cooperates with, online and comparably, by combining the most appropriate products and solutions for its customers, with the best deals.

The Sigortayeri brand reaped a huge harvest with the comparable insurance policies it has offered since day one and with insurance options tailored for everybody. The brand has become the youngest and the most dynamic and ambitious insurance broker of the sector, among more than 100 insurance brokers, through its multi-channel structure, a product range meeting every type of insurance need, high value added services differentiating it from its rivals and an innovative insurance concept.

The main starting point of the Sigortayeri.com business model, which was created with the objective of answering the question, "Why should the customer choose us?", was easy access and added value. In this regard, the goal of ensuring that customers can easily access in the shortest possible time all the variables involved in insurance, technology has been positioned at the center of the business model itself.

While access is provided to all the required products before sales, all questions are answered by expert insurance advisors through the online chat channel on the site. In addition to these, access to Sigortayeri has become much easier by means of customer services provided through communication channels such as Skype, Whatsapp and SMS. In the aftermarket, it is ensured that the processes in case of loss can be managed with the same customer service representative in a continuous manner by assigning a personalized customer service representative and guaranteeing to pay damages within 5 days. Thanks to payment alternatives, customers are provided with the opportunity of alternative payments by means of options, such as payment at the door and payment by credit, offered for the first time in Turkey.

In 2015, Sigortayeri aims to expand the insurance business to public reach by providing on-site and instantaneous access to insurance as the broker with the widest distribution network via e-trade, physical points, telemarketing and mobile platforms. It further aims to raise the number of people insured for the first time and, thus, contribute to market growth, to produce more flexible solutions according to the purchasing approaches of new customers, to strengthen the positive perception of insurance, to create a positive impact on customers in terms of the after-sales service concept by ensuring speed and ease, not only in the sales process, but also in terms of the operational processes, and to maintain and improve the leadership position in retail services.

N Kolay Stores

N Kolay Stores are the service locations designed to bring together numerous services such as match tickets, transportation card top-ups, contracted bank credit card debt payment and subscription transfer/new subscriptions together in one spot, while providing subscribers with the opportunity to pay all bills such as electricity, water, gas and phone, at a single point.

Performing over 3.5 million transactions per month at a total of 350 points, located particularly in Istanbul, as well as in Ankara, Erzurum, Erzincan, Bayburt, Ağrı, Iğdır, Samsun, Kütahya and Bursa, the N Kolay Stores have become the largest collection channel of institutions thanks to the service provided by private entrepreneurs, reaching the lead position in the sector with its positive image in the eyes of institutions and customers.

Through this project, which makes life easier for subscribers, hundreds of private entrepreneurs established their own businesses and employed more than 1,000 employees.

By expanding N Kolay Stores throughout Turkey, the aim is to reach an average of more than 10 million visitors per month, to enhance the potential and loyalty of customers with many new products and services that will facilitate life, to create the largest channel of the retail sector with N Kolay Points and to provide employment for a much larger number of people. In addition, plans are underway to facilitate the sales of products and services from many companies, particularly Aktif Bank and its subsidiaries, actively to the extent permitted by legislation.

N Kolay Point

The N Kolay Point aims to become Turkey's largest and most widespread product sales and service platform in the retail sector and to make life easier by offering its customers new products and services with result-oriented business models based on solid strategic foundations. Many services, including match tickets, catalogued product sales, bill payments of electricity, water, gas and telephone, insurance payments, GSM top-ups, city and transportation card top-ups and intercity bus tickets are offered to customers in a secure way through Internet-connected terminals with dual touchscreens set up at N Kolay Points. By means of N Kolay Point, which is one of the pillars of Aktif Bank's Direct Banking strategy, customers can conduct all their transactions quickly and efficiently without waiting in a queue. The Bank received first prize for its N Kolay Point project at an event held by the European Financial Management and Marketing Association (EFMA), one of the major institutions of the EU finance and banking sector. N Kolay Points also contribute to the work done by public institutions on financial coverage (financial inclusion).

EKent

Founded in 2002 to produce smart city technologies, EKent is a regional leader in urban transportation systems, providing smart transportation systems in 19 cities. While ensuring infrastructural transformation with integrated urban solutions in the cities served as the largest transportation integrator in Europe, it also creates smart city solutions developing new revenue-generating, value-added business models to administrations. In this context, EKent achieved the transition from validators, by means of making the payment via Bluetooth 4.0 technology, beacon, through mobile phones for the first time in the world, and undertook its first international project in the city of Porto in Portugal, with its transportation solutions. Thanks to the infrastructure it provides, EKent carries out Turkey's most widespread and highest-volume smart transportation infrastructure operation, with more than 1 billion transactions per year, management of a total of 5 million smart transportation cards and 160 million magnetic ticketing transactions. Assigned as E-Ticket System Integrator as a result of the tender opened by the Turkish Football Federation (TFF) in 2013, EKent has implemented the world's largest one-off stadium transformation project, including the infrastructural transformation, access control and monitoring systems, integrated ticketing from a single center and stadium box office services in 33 stadiums, located in 25 different cities. EKent will maintain the growth initiated by these projects and will take part in innovative system integration projects in the very near future with its own products and services at its new center completed with R & D activities.

SMART CITIES, HAPPY PEOPLE

Through EKent, our subsidiary offering smart city solutions, we carry out Turkey's most widespread and highest-volume smart transportation infrastructure operation in 19 cities, with more than 1 billion transactions per year, management of a total of 5 million smart transportation cards and 160 million magnetic ticketing transactions.

Passo and Passolig

Passolig is Turkey's most capable and economical sports, entertainment and lifestyle card for everyone from 7 to 77. As well as being a personal sport identity card that allows entry to stadiums with the comfort of combined cards, it is a means of payment that can also be used in shopping and in public transport in the contracted provinces, offering many campaigns and opportunities for Turkey's biggest brands, touching many areas of daily life. It has been made available to meet everyone's needs with the "Passolig credit card", "Passolig debit card" and "Passolig Wallet prepaid card" products. Since there is no more need for a paper ticket, Passolig holders buy their match tickets and upload to their cards in 30 seconds.

PASSO is the new address for the world of sports and entertainment. Having opened the doors of a whole new world with the electronic ticket application in football, PASSO is a platform to provide access to all types of activities, from sports to concerts and performing arts. Breathing new life into the sector, PASSO will soon become Turkey's most comprehensive event and entertainment platform and it will help its members enjoy a unique experience never seen before, offering very special opportunities.

PAVO

As a result of the cooperation established with Ingenico, the world's largest payment systems supplier, PAVO, a subsidiary of Aktif Bank, designed the Ingenico IWE 280, which is the most lightweight, easiest and fastest Cash Register POS device, obtained the production license permissions and commenced sales through sales channels it created and with direct corporate firms' activities.

With the Cash Register POS, which is a complementary part of Aktif Bank's retail channel and banking implementation strategies, PAVO aims to develop specific value-added solutions for different sectors and companies in retail channels through Mobile Cash Register POS activities and Desktop Cash Register POS activities, which will become mandatory next year.

Emlak Girişim

Established with the goal of evaluating business opportunities in the real estate and construction industry, Emlak Girişim A.Ş. aims to become a leader in the industry with revenue-sharing models, direct partnerships and urban renewal projects, which will be implemented with the support of Aktif Bank's innovative financing models and products, in parallel with the sector's growth.

Emlak Girişim carried out its first project, which it provided financial support to with the revenue sharing model, through the international award-winning Kartalkule project in Istanbul. It has successfully fulfilled its duties in the project, consisting of 205 residences and offices on a construction area of 32,000 m2.

Istanbul International Financial Center (IIFC), which is targeted to be one of the world's leading financial centers, is the most significant of Emlak Girişim's investments. The project includes the key actors of the financial sector such as the Central Bank, CMB, BRSA, Ziraat Bank, Halk REIT, Vakıf REIT and Emlak Konut A.Ş.

Having begun in 2013, the IIFC project is Turkey's largest regional planning project, with a construction area of 3 million m2, on a site covering 303,000 m2. In addition, new ground was broken in Turkey by completing a Sukuk issuance to finance this construction project.

The IIFC project, which will be a touchstone for the sector, is scheduled for completion in mid-2017.

SHOOP

Shoop Teknoloji ve Danışmanlık A.Ş. (Shoop Technology and Consulting) was established in September, 2014. It operates in the fields of mobile software services and CRM/ERP solutions and produces contemporary designed mobile and web projects using Beacon, Wi-Fi and Bluetooth technologies. While the goal is to ensure that brands can access their customers and to enhance communication through the model B2B, creative and innovative projects are developed to facilitate the daily life of the user through the model B2C. The Company owns 3 currently active products and newly designed projects and has a wide customer base consisting of retail stores, shopping centers, municipalities, IT companies and financial institutions.

"Kazakhstan Ijara Company" Joint Stock Company (KIC)

Founded in 2013 and becoming operational at the beginning of 2014, "KIC" is the first "financial leasing" company founded in Kazakhstan that operates according to Islamic rules. Al Hilal Bank, Zaman Bank, Kolon Group, one of South Korea's leading companies, and Eurasia Group from Kazakhstan, are listed among the company's partners, in addition to its partnership with "ICD" of Islamic Development Bank, which finances the Bank's private sector investments. Offering leasing services mainly to SMEs, KIC continues to work towards becoming one of Kazakhstan's largest leasing companies with its 5-year plan.

Euroasia Leasing Company (ELC)

Founded in 2012 in Tatarstan, "ELC" is the first "Islamic financial leasing" company operating in Russia. The company has a partnership with "ICD" of Islamic Development Bank, which finances the private sector investments of the Bank, and 25% of the company's shares were acquired by the Bank in September 2014. Offering leasing services mainly to SMEs, ELC is one of the leading organizations that operates in the field of Islamic financial leasing in Russia and aims to become the market leader with its 5-year plan.

Our Innovative Activities in the Sector in 2014

• Within the scope of the e-ticket project, launched in April 2014 following the infrastructure development and ticket system work carried out in 33 stadiums in a short preparation period of 7 months, fans got to enjoy matches in safety and comfort using our Passolig, Turkey's most advanced fan card program. As the one and only card that can be used in shopping and public transportation as well as stadium entry, Passolig has become a major player in the world of payment systems in our country, exceeding 700,000 units by the end of 2014.

• N Kolay Point, continuing its expansion efforts with the aim of providing an N Kolay Point that everyone can find within walking distance, reached nearly 5,000 points, becoming prevalent in 81 provinces in 2014.

• Having established smart urban transport systems with the "Smart Cities, Happy People" motto, EKent completed its system integration in Ankara and Gaziantep in 2014 and extended its number of cards in Ankara to over 2 million. EKent reached an annual volume of 1 billion transactions and expanded the number of cities receiving transportation services to 19 by including Kahramanmaraş and Bolu in its domestic network. Having transferred its successful domestic projects outside the country, EKent implemented the PortoPass as its first overseas project. The prepaid Ekent card, which will provide VIP entry and discount access to tourist attractions in the city of Porto, one of the largest cities in Portugal that hosts 7 million tourists annually, will be applicable on tour buses and boats as well as restaurants. Positioned as a technology company beyond being just a company providing urban transport infrastructure and operations, EKent prioritizes the development of smart city solutions in light of the latest technology. EKent has developed the first validators in the world working with Beacon technology and organized entry by this method to the 2014 CeBIT Bilişim Eurasia fair. The Company is about to complete the integration work for this innovative solution to the existing transport problems and aims to provide citizens with the opportunity of using mobile phones during transportation in the first quarter of the new year.

• Thanks to its innovative mobile application, updated dynamic website and products customized according to the needs of the users, Sigortayeri took its first step towards becoming one of the leading players in the market.

• Achieving a rapid and profitable growth trend in the consumer finance market by establishing long-term strategic partnerships with leading brands in the retail sector, Aktif Bank doubled its product sales dealers in the support services network to 2,800, thanks to its innovative, easy and inexpensive prevalence methodology. Following Arçelik, which was included in the system in 2013, agreements were signed with the other major players in the sector, Vestel and the BSH Group. Thus, a practical financing method has been created across a wide range for customers, while alternative, secure and modern collection facilities, instead of risky business models such as securities, are provided to dealers at the same time.

• The N Kolay Stores, which possesses a market share in gas, water and electricity bill payments greater than the sum of the entire banking sector in Istanbul, began to spread to other parts of Turkey, carrying its activities outside of Istanbul in 2014.

• PAVO, the exclusive partner of the world-famous Ingenico, one of the major players of the POS market in Turkey, provides member merchants with the opportunity to grow their businesses without enlarging their physical premises by means of the value-added services developed in its payment registration devices with cash register features.

Human Resources Activities, Organization and Process Management

Aktif Bank's growth strategy is based on an organization that creates new business opportunities by adapting to new technologies and developments. In accordance with this approach, activities aimed at ensuring the effectiveness and efficiency of the business processes continue by means of process modeling, supported with costs and productivity, process automation activities, end-to-end organizational structure analyses and modeling, project based norm staff analyses, and performance management based on individual and objective data for all service teams.

The Bank closely keeps track of the best practices in Turkey and worldwide in its bid to continuously develop human resources applications, ever aware that its people are the Bank's most valuable asset. In addition, various practices are designed to stimulate the creativity of the Bank's personnel, create a high performance culture and reward the added value that is generated.

The main policies of Aktif Bank's Human Resources Department are as follows; creation of a work environment where all employees can improve themselves without discrimination, as well as providing equal career opportunities and creation of systems that encourage success. To this end, Aktif Bank has always recruited expert employees with relevant field experience and new graduates with high potential, using the most appropriate hiring instruments.

In 2014, the number of employees rose by 26% compared to the previous year. In order to offer employees development opportunities to enhance their knowledge, skills and achievements, Aktif Bank provided a total of 30 training hours in 2014. The Bank also has organized Development Center implementations to establish a base for a common management culture and to develop managerial staff's leadership competencies. The foundations of the coaching implementations were laid in order to prepare employees with high potential for more senior roles in the future.

Masters / Doctorate	16%
University Graduate	75%
Number of Employees	784
Average Age	32

Remuneration Policies:

Aktif Bank pays particular attention to determining fair, market-balanced and competitive remuneration policies. The remuneration policy is based on rewarding high performance along with contributions in line with the bank's strategies.

Criteria Considered in Performance Based Payments:

Performance based payments are determined in accordance with the organization's long term targets and with evaluations made on criteria such as customer satisfaction, service quality and efficient management of human resources, in addition to the Bank's figure based targets. Performance premiums are paid in cash to outperforming employees within the following year after their premiums are calculated, on a Balance Sheet year basis.

In 2014, the annual premium allowances calculated for bank employees, including Board members and senior executives, based on performance in line with the Bank's ethical values, internal balances and strategic targets, composed 3.2% of the 2014 personnel expenses.

Transactions Conducted by the Bank Within its Own Risk Group

Risk Group of the Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at Beginning of Period	-	-	1,545,290	4,795	263,805	569,661
Balance at End of Period	-	-	1,653,293	6,421	345,936	450,067
Interest and Commission Income	-	-	199,620	30	58,315	6,425

İnfina Yazılım A.Ş., Cybersoft Enformasyon Teknolojileri Ltd. Şti., Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş., Active Bilgisayar Hizmetleri Ltd. Şti., Coretech Bilgi Teknolojisi Hizmetleri A.Ş., OBSS Bilişim Bilgisayar Hizmetleri Ltd. Şti., EGA Elektronik Güvenlik Altyapısı A.Ş., İnomera Arge ve Bilişim Hizmetleri A.Ş., Formalis Bilgi Teknolojileri Ltd. Şti., Codec İletişim ve Dan. Hizm. Ltd. Şti., Asseco See Teknoloji A.Ş., Kartek Kart ve Bilişim Ltd. Şti., Provus Bilişim Hizmetleri A.Ş., Vega Bilgisayar Ltd. Şti., İmperitek Bilişim Yönetimi Danışmanlık Mühendislik Eğitim San. ve Tic. Ltd. Şti., Kafein Yazılım ve Bilgisayar Hizm. San. ve Tic. A.Ş., Keytorc Teknoloji Hizmetleri ve Dan. San. Tic. Ltd. Şti., Emobil Bilişim İletişim Teknolojileri San. ve Tic. Ltd. Şti., Arneca Danışmanlık ve Tic. Ltd. Şti., Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. Tic. A.Ş., RDC Partner Bilişim Dan. ve Tekn. Hiz. Ltd. Şti., Simternet İletişim Sis. Rek. San. ve Tic. Ltd. Şti., Global Bilişim Bilg. Yazılım Dan. San. ve Tic. Ltd. Şti., Venüs Eğitim Danışmanlık Telekomünikasyon Organizasyon Bilgisayar San. ve Tic A.Ş., Küresel Beta Teknoloji Telekomünikasyon San. Tic. Ltd. Şti., Superonline İletişim Hizmetleri A.Ş. ve Netaş Telekomünikasyon A.Ş. provided support services pertaining to Information Technologies processes.

Vega Bilgisayar Ltd. Şti. also provided support services pertaining to Financial Management processes.

Collection Platform Yazılım ve Danışmanlık A.Ş., RGN İletişim Hizmetleri A.Ş., Nuevo Yazılım Çözümleri A.Ş., Sistem Yönetim Danışmanlığı Ltd. Şti. ve Etcbase Yazılım ve Bilişim Teknolojileri A.Ş. provided support services pertaining to Corporate Banking processes.

Desmer Bilgi ve İletişim Hizm. Tic. A.Ş., Iron Mountain Arşivleme Hizmetleri A.Ş., Desmer Güvenlik Hizm. Tic. A.Ş., Securverdi Güvenlik Hizmetleri A.Ş., Tele Kurye Dağıtım ve Kurye Hizmetleri A.Ş., Kuryenet Motorlı Kuryecilik ve Dağıtım Hiz. A.Ş., Provus Bilişim Hizmetleri A.Ş., Artekay Teknoloji Araştırma Sistemleri Tic. Ltd. Şti., Aktif İleti ve Kurye Hizmetleri A.Ş., Tempo Çağrı Merkezi ve İş Süreçleri Dış Kaynak Hizm. Tic. A.Ş., Win Bilgi İletişim Hizmetleri A.Ş., Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş., Plaskart Kart ve Bilişim Sis. San. Tic. Ltd. Şti., E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş., Hobim Digital Elektronik Hizmetler A.Ş., E-Kent Teknoloji ve Ödeme Sistemleri San. ve Tic. A.Ş.; provided support services pertaining to operational processes.

Intellica - İş Zekası Yazılım Dan. Hizm. Tic. Ltd. Şti., Inviso Destek Hizmetleri A.Ş., Asfalt İstanbul Reklam Org. İnş. San. ve Tic. Ltd. Şti., Epost Elektronik Perakende Otomasyon Satış Tic. A.Ş., Sors Bilgi Denetim Danışmanlık Bilg. Org. San. ve Tic. Ltd. Şti., PTT (Posta ve Telgraf Teşkilatı), Experian Bilgi Hizmetleri Ltd. Şti., Motto23 İletişim Hizmetleri ve Tic. A.Ş., Asset Aktif Sportif Sanatsal Etkinlik Hizmetleri Tic. A.Ş.; provided support services pertaining to Retail Banking processes.

İkide Bilgi Sistemleri Ltd.: provided support services pertaining to Strategic Planning and Performance Management processes.

In addition, support services pertaining to individual loan operations are received from dealers selling furniture, appliances, building hardware equipment, and health and heating equipment.

Audit Committee Report

Information on the Audit Committee's Evaluations of Operations of the Internal Control, Internal Audit, Misconduct Prevention, Regulatory Compliance and Risk Management Systems and their Activities during the Accounting Period

Aktif Bank Internal Systems organization operates in such a way to meet the requirements of quality and effectiveness that are necessary to cover all conditions. It maintains compliance within the scope and structure of our operations and consists of 5 different departments; Internal Audit, Internal Control, Misconduct Prevention, Regulatory Compliance and Risk Management, to monitor and manage any risks to which our Bank may be exposed during the course of its activities.

Local regulations as well as international standards are taken into consideration in setting out the internal regulations and rules of procedures of the departments. The activities of the Internal Control, Internal Audit, Misconduct Prevention, Regulatory Compliance and Risk Management Departments, based on the Communiqué on Banks' Internal Systems dated June 28th, 2012, and published by the BRSA, are evaluated upon meeting with the Audit Committee. A total of 7 Audit Committee meetings took place in 2014. The Internal Systems Departments' activities were closely monitored and the Board of Directors was informed on the areas that the Audit Committee deemed pertinent.

In 2014, in addition to the control, audit, monitoring and counselling activities performed by the Internal Audit, Internal Control, Misconduct Prevention, Regulatory Compliance and Risk Management Departments, process-related measures were implemented and new control points were established, paving the way for improvements in the processes.

In line with the "Annual Audit Plan" approved by the Board of Directors, audit and monitoring activities in branches and headquarters were continued in 2014. 8 branch inspections, 8 headquarters inspections, 4 Information Technology inspections, 6 subsidiary inspections and 5 support service company inspections were conducted by the Internal Audit Department.

The Internal Control Department inspected and submitted quarterly reports on 657 control points regarding Treasury, Operations, Loans, Accounting, Information Technology and Subsidiary activities. In this respect, 18 control reports were prepared on the aforementioned topics, and 16 on-site branch audits were conducted in 2014. In addition, the controls related to Bank Information Systems and Banking Processes were tested within the scope of Administrative Declaration activity.

Risk exposure at the Bank has been significantly reduced in 2014 as a result of the controls implemented by the Internal Audit, Internal Control, Compliance, Misconduct Prevention and Risk Management Departments, taking into account the Bank's growing and developing organizational structure, Balance Sheet size, transaction volume and variety of transactions. These controls are aimed at raising the efficiency and effectiveness of the Bank's activities and protecting its assets and resources from any damage, to ensure its annual reports are prepared precisely and reliably and to ensure the Bank conducts its activities in compliance with the law and legal obligations.

Evaluation of Financial Status

The Bank's total assets reached TRY 6,251,827 by year-end 2014, rising by 22.38% when compared to the previous year. In US Dollar terms, the Bank's total assets grew by 12.89% from $ 2.392 billion at the end of 2013 to $ 2.700 billion by the end of 2014. By the end of 2014, the Bank achieved net profit worth TRY 33.7 million. This represents a drop in profitability of 73% compared to year-end 2013. While the return on average assets based on net gain was 2.89% in 2013, this ratio stood at 0.59% in 2014. The return on average equity, which was 19.22% in the previous period, declining to 3.91% in 2014.

By the end of 2014, the Bank's total shareholder equity reached TRY 888.6 million, up by TRY 49.1 million. With this, Aktif Bank further strengthened its shareholder equity structure. Aktif Bank's year-end capital adequacy ratio stood at 12.73%.

In 2014, the Bank continued to manage its credit portfolio with a view to optimizing the risk-return balance, meeting customers' financing needs with different maturities in the most suitable manner. The total volume of loans and financial leasing transactions grew by 11.37% to TRY 3,983 billion in 2014. The Bank's non-cash loans amounted to TRY 991.1 million. However, despite the economic crisis and its worldwide negative impact, the Bank's share of total non-performing loans remained at 3.01%, thanks to rational and balanced risk policies.

The Bank, implementing the first ABS (Asset-Backed Security) issue by establishing Turkey's first Asset Finance Fund on October 20, 2011, made 2 more issuings, in 2014. The aforementioned transaction of securitization, based upon Aktif Bank's individual loan portfolio, was rated AAA, the highest possible credit rating in Turkey. By means of this operation, the first issuance based upon individual loans in Turkey, the Bank has taken a pioneering and innovative step towards obtaining funds, the main problem of investment banks.

Information Concerning Implemented Risk Management Policies by Types of Risk

Aktif Bank's core business activities include Corporate Banking, Retail Banking, Treasury and Capital Markets transactions. The risks of these businesses, with a total share of 90% in the Bank's total asset size, were minimized by the Risk Management Department.

All of the risks perceived within the framework of Risk Limits, prepared by the Risk Management Group and approved by the Board of Directors, are capped by upper limits.

Risk Management Policies

Credit Risk

Operations conducted within Corporate Banking functions include trade financing, project financing, export financing, factoring, leasing, external guarantees, letters of guarantee and foreign trade operations. 59% of total interest revenue was generated by operations implemented within Corporate Banking's fields of activity in 2014.

By the end of 2014, the share of individual loans granted within Retail Banking reached 20% of the Bank's total asset size. The NPL ratio of individual loans, which make a major contribution to interest revenue, to cash credits stood lower than the sector average.

The purpose of credit risk management is to manage the risk exposure of the loan portfolio in accordance with the basic strategies and objectives of the Bank and to maximize the risk-indexed return. A dynamic loan portfolio management has been adopted that takes into consideration the early warning signs in credit analyses, allocations and extensions. Safety, liquidity, efficiency and proper distribution of loans are vital parts of the Bank's policy on credit investments.

The required documentation, responsibilities and limits regarding credit risk management are determined. Rules have been established within the Bank for the rating system, loan approval processes and credit allocation conditions. Findings related to credit risk are reported directly to the Board of Directors and Senior Management.

Market Risk

Treasury and capital market activities consist of interbank money market transactions, repurchase, reverse repurchase, variable and fixed income instruments, foreign currency transactions, derivative instruments, bank bond issues, trading transactions, Asset Backed Security and Islamic Finance Products issuances. 10% of the Bank's total interest income was made up of transactions under treasury and capital markets activities in 2014. Within the scope of treasury and capital markets activities, the ratio of securities portfolio to the total asset size was 14%. The fact that assets arising from the Bank's interbank transactions are short-term placements and its securities portfolio is composed of indicator government debt securities makes the Bank resilient to any liquidity risks.

Notwithstanding the primary goal of providing products to meet the needs of the customer portfolio, Aktif Bank's Treasury operations aim to contribute to profitability, with transactions conducted within the framework of the market risk limits established by the Board of Directors.

Operational Risk

Operational losses that may emerge within the Bank are monitored through a database within the scope of regulations established to manage Aktif Bank's operational risk. In addition, as part of the Bank's contingency plans, Aktif Bank's Hotsite Center, located in Istanbul's Ümraniye district, enables key management and staff to continue their work in the event of local disasters.

The Disaster Recovery Center in Ankara will allow the Bank to continue its operations in the event of major disasters such as earthquake, fire or flood. Copies of all corporate accesses and critical servers are backed up in real time at the center in Ankara. An office environment has been created in both centers to meet all the technical requirements of key staff.

5-YEAR SUMMARY FINANCIAL HIGHLIGHTS

5-YEAR SUMMARY FINANCIAL HIGHLIGHTS - IN NOMINAL VALUES (TRY ,000)

	2014	2013	2012	2011	2010
BALANCES WITH BANKS & MONEY MARKET PLACEMENTS	155,337	82,873	16,155	20,126	182,870
TRADING SECURITIES (NET)	4,251	6,248	4,726	1,081	197
INVESTMENT SECURITIES (NET)	887,838	644,789	571,521	474,464	405,398
LOANS & FACTORING RECEIVABLES (NET)	3,983,292	3,576,617	2,365,018	1,677,755	723,305
FINANCIAL LEASE RECEIVABLES (NET)	-	1,252	1,542	31	3,807
SHAREHOLDERS' EQUITY	886,604	837,498	458,292	348,049	225,752
TOTAL ASSETS	**6,260,724**	**5,104,307**	**3,517,595**	**2,552,810**	**1,479,392**
GUARANTEES AND INDEMNITIES	**991,109**	**993,470**	**1,135,133**	**1,163,928**	**1,349,745**
NET INTEREST INCOME	238,622	271,512	142,748	89,652	37,940
NET FEE AND COMMISSION INCOME	33,863	78,390	47,768	103,173	28,334
PROFIT BEFORE TAXES	41,439	160,912	117,708	89,590	48,687
PROVISION FOR TAXES ON INCOME	-7,714	-36,372	-22,664	-24,044	-3,808
NET PROFIT	33,725	124,540	95,044	65,546	43,515

5 YEAR SUMMARY FINANCIAL HIGHLIGHTS - IN NOMINAL VALUES (USD ,000)

	2014	2013	2012	2011	2010
BALANCES WITH BANKS & MONEY MARKET PLACEMENTS	66,987	38,829	9,063	10,557	118,286
TRADING SECURITIES (NET)	1,833	2,927	2,651	567	127
INVESTMENT SECURITIES (NET)	382,870	302,108	320,611	248,867	262,224
LOANS & FACTORING RECEIVABLES (NET)	1,717,751	1,675,780	1,326,724	880,018	467,856
FINANCIAL LEASE RECEIVABLES (NET)	-	587	865	16	2,462
SHAREHOLDERS' EQUITY	382,338	392,399	257,092	182,559	146,023
TOTAL ASSETS	**2,699,868**	**2,391,560**	**1,973,295**	**1,339,003**	**956,916**
GUARANTEES AND INDEMNITIES	**427,405**	**465,478**	**636,785**	**610,505**	**873,056**
NET INTEREST INCOME	102,903	127,214	80,079	47,024	24,541
NET FEE AND COMMISSION INCOME	14,603	36,729	26,797	54,116	18,327
PROFIT BEFORE TAXES	17,870	75,393	66,032	46,992	31,492
PROVISION FOR TAXES ON INCOME	-3,327	-17,042	-12,714	-12,612	-2,463
NET PROFIT	14,544	58,352	53,318	34,380	28,147
USD/TRY	2.3189	2.1343	1.7826	1.9065	1.546

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Financial Statements as at and for the Year Ended 31 December 2014 with Independent Auditors' Report Thereon

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aktif Yatırım Bankası Anonim Şirketi:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Aktif Yatırım Bankası Anonim Şirketi and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 consolidated financial statements.

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

Basis for Qualified Opinion

The consolidated financial statements as at 31 December 2014 consist of a general provision amounting to TL 5,000 thousand provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If the mentioned general provision were not provided, as at 31 December 2014, the other provisions would decrease by TL 5,000 thousand retained earnings would increase by TL 32,000 thousand and other operating income, profit before tax and net profit for the period would decrease by TL 27,000 as at 31 December 2014 and other operating income, profit before tax and net profit for the period would increase by TL 7,000 as at 31 December 2013.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

As described in Note 35, to the consolidated financial statements, the Bank has provided a significant portion of cash and non-cash loans to its related parties (Çalık Group Companies) as at 31 December 2014.

As described in Note 5, the Group has restated its consolidated financial statements as of and for the year ended 31 December 2013.

Other matter

The consolidated financial statements of the Bank and its subsidiaries as of and for the year ended 31 December 2013 were audited by another auditor. The other independent auditor expressed a qualified opinion in their audit report dated 14 February 2014 for the financial statements as of 31 December 2013 stating that the consolidated financial statements consisted of a general provision amounting to TL 32,000 thousand of which TL 25,000 thousand was recognized in the previous periods and TL 7,000 thousand was charged to the statement of income in that year, provided by the Bank management for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions.

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

İstanbul, 17 April 2015

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

	Note	31 December 2014	As Restated 31 December 2013
ASSETS			
Cash and cash equivalents	9	286,470	196,494
Reserve deposits at Central Bank	10	497,612	299,299
Trading assets	11	4,251	6,248
Trade and other receivables		15,135	6,157
Inventories		12,237	3,957
Loans and advances to customers	13	3,983,292	3,577,869
Investment securities	12	887,838	644,789
Equity accounted investees	14	11,226	8,675
Tangible assets	15	193,608	181,950
Intangible assets	16	103,137	59,656
Goodwill7	504	504	
Deferred tax assets	22	12,275	5,118
Assets held for sale	18	69,868	-
Other assets	17	174,374	117,784
Total assets		**6,251,827**	**5,108,500**
LIABILITIES			
Trading liabilities	11	2,510	1,475
Trade and other payables		35,085	18,915
Obligations under repurchase agreements	19	193,677	538,404
Financial lease liabilities		40,223	32,229
Debt securities issued	21	3,008,118	2,004,194
Funds borrowed	20	1,509,958	1,098,274
Provisions	23	29,983	54,054
Income taxes payable	22	-	8,791
Deferred tax liability	22	9,883	4,565
Other liabilities	24	535,786	510,101
Total liabilities		**5,365,223**	**4,271,002**
EQUITY			
Share capital	25	701,595	701,595
Legal reserves	25	15,970	11,279
Unrealised gains/(losses) on available-for-sale assets		5,967	(11,999)
Actuarial gain/ (loss)		(500)	133
Translation reserves		(755)	1,197
Retained earnings		159,870	130,861
Total equity attributable to equity holders of the Bank		**882,147**	**833,066**
Non-controlling interests		4,457	4,432
Total equity		**886,604**	**837,498**
Total liabilities and equity		**6,251,827**	**5,108,500**

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

	Note	2014	As Restated
Interest income	26	560,976	515,006
Interest expense	26	(322,354)	(243,494)
Net interest income		**238,622**	**271,512**
Fees and commission income	27	58,098	98,183
Fees and commission expense	27	(24,235)	(19,793)
Net fee and commission income		**33,863**	**78,390**
Net trading loss	28	(10,654)	(8,632)
Sales income	29	68,738	35,110
Other income	30	46,105	25,745
Operating income		**376,674**	**402,125**
Net impairment loss on financial assets	13,31	1,574	(43,416)
Impairment on stock		-	(1,141)
Operating expenses		(249,165)	(152,343)
- Personnel expenses	32	(125,888)	(88,995)
-Depreciation and amortisation	15,16	(17,034)	(12,682)
-Other operating expenses	33	(106,243)	(50,666)
Cost of sales		(66)	(3,337)
Cost of services	29	(80,835)	(22,896)
Other operating expenses	34	(7,438)	(17,889)
Total operating expenses		**(335,930)**	**(241,022)**
Share of profit of equity accounted investee	14	695	(191)
Profit before income tax		**41,439**	**160,912**
Income tax expense	22	(7,714)	(36,372)
Net profit for the year from continuing operations		**33,725**	**124,540**
Profit attributable to			
Equity holders of the Bank		33,700	124,709
Non-controlling interest		25	(169)
Profit for the year		**33,725**	**124,540**
Other comprehensive income			
Items that will not be reclassified to profit or loss:		(633)	133
Change in actuarial (loss) / gain related to employee benefits		(791)	166
Tax effect	22	158	(33)
Items that are or may be reclassified subsequently to profit or loss:		**16,014**	**(18,941)**
Change in fair value of available-for-sale financial assets		22,458	(25,173)
Foreign currency translation differences		(1,952)	1,197
Tax effect	22	(4,492)	5,035
Other comprehensive income for the year, net of tax		**15,381**	**(18,808)**
Total comprehensive income for the year		**49,106**	**105,732**
Total comprehensive income attributable to:			
Equity holders of the Bank		49,081	105,598
Non-controlling interest		25	134
Total comprehensive income for the year		**49,106**	**105,732**

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

	Note	Share capital	Adjustment to share capital	Legal reserves	Unrealised gains/ (losses) on available-for-sale assets	Translation reserve	Revaluation surplus	Actuarial gain/ (loss)	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2013		**230,000**	**5,448**	**6,931**	**8,139**	**-**	**25,660**	**-**	**182,114**	**458,292**	**-**	**458,292**
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	124,709	124,709	(169)	124,540
Other comprehensive income		-	-	-	(20,138)	1,197	-	133	-	(18,808)	-	(18,808)
Net change in fair value of available-for-sale financial assets		-	-	-	(20,138)	-	-	-	-	(20,138)	-	(20,138)
Net change in actuarial gain related to employee benefits		-	-	-	-	-	-	133	-	133	-	133
Foreign currency translation differences		-	-	-	-	1,197	-	-	-	1,197	-	1,197
Total comprehensive income for the year		**-**	**-**	**-**	**(20,138)**	**1,197**	**-**	**133**	**124,709**	**105,901**	**(169)**	**105,732**
Transactions with owners, recorded directly in equity												
Capital increase in cash	**25**	**298,000**	-	-	-	-	-	-	-	**298,000**	-	**298,000**
Transfers to share capital	25	169,085	(938)	-	-	-	(25,660)	-	(142,487)	-	-	-
Transfer to reserves		-	-	4,348	-	-	-	-	(4,348)	-	-	-
Total transactions with owners, recorded directly in equity		**467,085**	**(938)**	**4,348**	**-**	**-**	**(25,660)**	**-**	**(146,835)**	**298,000**	**-**	**298,000**
Changes in ownership interest in subsidiaries												
Acquisition of non-controlling interests through business combination	7	-	-	-	-	-	-	-	-	-	4,270	4,270
Transaction with under common control	7	-	-	-	-	-	-	-	(29,127)	(29,127)	331	(28,796)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(29,127)**	**(29,127)**	**4,601**	**(24,526)**
As restated At 31 December 2013	**5, 25**	**697,085**	**4,510**	**11,279**	**(11,999)**	**1,197**	**-**	**133**	**130,861**	**833,066**	**4,432**	**837,498**

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

	Note	Share capital	Adjustment to share capital	Legal reserves	Unrealised gains/ (losses) on available-for-sale assets	Translation reserve	Actuarial gain/(loss)	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2014		**697,085**	**4,510**	**11,279**	**(11,999)**	**1,197**	**133**	**130,861**	**833,066**	**4,432**	**837,498**
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	33,700	33,700	25	33,725
Other comprehensive income		-	-	-	17,966	(1,952)	(633)	-	15,381	-	15,381
Net change in fair value of available-for-sale financial assets		-	-	-	17,966	-	-	-	17,966	-	17,966
Net change in actuarial gain related to employee benefits		-	-	-	-	-	(633)	-	(633)	-	(633)
Foreign currency translation differences		-	-	-	-	(1,952)	-	-	(1,952)	-	(1,952)
Total comprehensive income for the year		**-**	**-**	**-**	**17,966**	**(1,952)**	**(633)**	**33,700**	**49,081**	**25**	**49,106**
Transactions with owners, recorded directly in equity											
Transfer to reserves		-	-	4,691	-	-	-	(4,691)	-	-	-
Total transactions with owners, recorded directly in equity		**-**	**-**	**4,691**	**-**	**-**	**-**	**(4,691)**	**-**	**-**	**-**
At 31 December 2014	**25**	**697,085**	**4,510**	**15,970**	**5,967**	**(755)**	**(500)**	**159,870**	**882,147**	**4,457**	**886,604**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

	Note	2014	As Restated 2013
Cash flows from operating activities			
Net profit for the year		33,725	124,540
Adjustments for:			
Depreciation and amortisation of tangible and intangible assets booked in operating expenses	15,16	17,034	12,682
Depreciation and amortisation of tangible and intangible assets booked in cost of goods sold	29	20,563	1,369
Impairment on intangible assets	16	4,126	-
Retirement pay provision expense	23	2,206	1,670
Unused vacation provision expense		2,553	677
Bonus provision expense		(639)	4,323
Impairment on financial assets	31	(1,574)	43,416
Net interest income and expense		(227,313)	(258,885)
Share of profit of equity investee		(695)	(191)
(Reversal) / provision for possible losses		(27,000)	7,000
Unrealised foreign exchange loss / (gain)		(70,287)	(13,367)
Other accruals		(16,025)	(15,931)
Income tax22		7,714	36,372
		(255,612)	**(56,325)**
Change in reserve deposit at Central Bank		(198,313)	(147,697)
Change in trading assets		499	902
Change in loans and advances to customers		(476,601)	(1,134,259)
Change in other assets		(42,472)	(97,534)
Change in obligations under repurchase agreements		(344,724)	139,759
Proceeds from borrowings		448,670	495,373
Change in other liabilities		41,429	(65,297)
		(571,512)	**(808,753)**
Interest received		587,200	499,538
Interest paid		(338,989)	(240,690)
Retirement pay provision and unused vacation paid	23	(444)	(84)
Income tax paid	22	(26,500)	(26,161)
Net cash used in operating activities		**221,267**	**232,603**
Cash flows from investing activities			
Purchase of investment securities		(2,967,021)	(1,210,349)
Sale of investment securities		2,753,858	1,085,549
Purchase of tangible assets	15	(31,530)	(166,713)
Equity accounted investees		(3,025)	(7,287)
Proceeds from the sale of tangible assets		1	68
Purchase of intangible assets	16	(53,174)	(36,183)
Acquisition of subsidiaries		(12,455)	(35,072)
Net cash used in investing activities		**(313,346)**	**(369,987)**
Cash flows from financing activities			
Proceeds from debt securities issued		8,452,597	3,112,171
Repayment of debt securities issued		(7,448,953)	(2,621,469)
Change in financial lease liabilities		5,699	32,229
Proceeds from share capital increase	25	-	298,000
Net cash provided from financing activities		**1,009,343**	**820,931**
Net increase/(decrease) in cash and cash equivalents		**90,140**	**(181,531)**
Effect of exchange rate fluctuations on cash		(114)	1,845
Cash and cash equivalents on 1 January	9	196,433	376,119
Cash and cash equivalents on 31 December	**9**	**286,459**	**196,433**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(Currency - In thousands of Turkish Lira ("TL"))

1. Reporting entity

Aktif Yatırım Bankası Anonim Şirketi (the "Bank") was incorporated under the name of Çalık Yatırım Bankası A.Ş. in Turkey in July 1999. The Bank changed its name as Aktif Yatırım Bankası A.Ş. on 1 August 2008.

The Bank operates as an "investment bank" and is mainly involved in corporate and consumer services such as cash or non-cash, financial leasing, factoring, corporate lending. As an investment bank, the Bank borrows funds from other banks, financial markets, partners and credit customers, but is not entitled to receive deposits from customers.

The head office of the Bank is located at Büyükdere Cad. No: 163/A Zincirlikuyu / Istanbul, and the Bank have also eight branches.

The Bank employs 784 people as at 31 December 2014 (31 December 2013: 623).

The Bank and its subsidiaries are hereafter referred to as the "Group".

The Group controls equity stakes in companies that are active in the areas of technology system integration, payment centre, insurance brokerage, consulting in real estate projects, real estate, islamic financial leasing and electronic payment systems. Activities carried out in these business areas and main companies are explained below in summary.

Sigortayeri Sigorta ve Reasürans Brokerlığı A.Ş. ("Sigortayeri"): With the virtual and physical multi-channel structure that is shaped according to the needs of potential policyholders comparative insurance products, provide customers with fast and intuitive way to operate in the field of insurance broking.

EPost Elektronik Perakende Otomasyon Satış Ticaret A.Ş. ("EPost"): N Kolay İşyeri allocated to business with the brand through reliable/secure devices, sales and collection operations for making the dealership system.

E-Kent Teknoloji ve Ödeme Sistemleri Sanayi ve Ticaret A.Ş. ("E-Kent"): E-Kent, increases both the new products and services applied in the field and also the number of cities in which services are offered in its fields of operation with its vision which is "building city technologies".

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo"): Pavo operates in the area of new generation payment systems (especially ECR business); import, manufacture sales and technical services.

N Kolay Mağazacılık A.Ş. ("N Kolay"): N Kolay operates in the area of invoice payment point.

Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş. ("Asset"): Asset operates in the area of ticket sale organization of sports and arts activities.

Emlak Girişim Danışmanlığı A.Ş. ("Emlak Girişim"): Works on real estate projects, structures and systems, and in this regard make active counseling and guidance.

İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. ("İFM"): İFM operates in special projects, land recreation, area sales and revenue sharing provisions for the construction of the immovable, construction and sales activity is independent sections.

Kazakhstan Ijara Company Jsc. ("KIC"): Kazakhstan İjara Company carries on islamic leasing business. The aim of the firm in Kazakhstan is to support the development of small and medium enterprises (SMEs) by providing alternative sources of Shariah compliant financing for their projects.

Euroasian Leasing Company ("ELC"): Euroasian Leasing Company is the first in Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

Shoop A.Ş ("Shoop"): Shoop A.Ş. operates in the area of entrepreneurship.

UPT Elektronik Para Para Transferi ve Ödeme Hizmetleri A.Ş. ("UPT"): UPT operates for electronic money and money transfer.

2. Basis of preparation

2.1 Statement of compliance

The Bank and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory consolidated financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), Capital Markets Board of Turkey, the Turkish Commercial Code and tax legislation. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation, except for the following;

- derivative financial instruments are measured at fair value
- financial assets at fair value through profit or loss are measured at fair value
- available-for-sale financial instruments

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of the consolidated 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 year in which the estimate is revised and in any future periods affected.

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 consolidated financial statements are described in notes 4.

3. Significant accounting policies

3.1 Accounting in hyperinflationary economies

The consolidated financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standard ("IAS") No. 29 "Financial Reporting in Hyperinflationary Economies" as at 31 December 2005. IAS 29 requires that consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current on the reporting date, and that corresponding figures for prior periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute ("TURKSTAT"). By taking this into consideration, together with the sustained positive trend in quantitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against USD and other hard currencies, it was declared that Turkey should be considered a non-hyperinflationary economy under IAS 29 from 1 January 2006 as stated in International Standards Alert No. 2006/17 issued on 8 March 2006. Therefore, IAS 29 has not been applied to the accompanying consolidated financial statements starting from 1 January 2006.

3.2 Foreign currency transactions

Foreign currency transactions

Transactions in the financial statements of the Group are recorded in TL, which is the Group's functional currency and the presentation currency for the accompanying consolidated financial statements. Transactions in foreign currencies are translated into the functional currency of the Group at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into TL at the exchange rates ruling at date of the statement of financial position with the resulting exchange differences recognized in income as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in income as realized during the period.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to TL at foreign exchange rates ruling at the date of the statement of financial positions. The revenues and expenses of foreign operations are translated to TL using average exchange rates. Foreign exchange differences arising on translation are recognized directly in a separate component of equity. When a foreign operation is disposed of in part or in full, the relevant amount in the foreign currency translation reserve is transferred to income.

3.3 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the consolidated financial statements of the Bank and entities controlled by the Bank (its subsidiaries). The control exists if and only if; 1) when the Bank has the power over an affiliate which that power, directly or indirectly, give rights to govern the financial and operating policies of the entity so as to obtain benefits from its activities, 2) exposure, or rights, to variable returns from its involvement with the affiliate, 3) the ability to use its

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power over the affiliate to affect the amount of its returns. The Bank reassess its control power over its subsidiaries if there is an indication that there are changes to any of the three elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

• the fair value of the consideration transferred; plus
• the recognised amount of any non-controlling interests in the acquiree; plus
• if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
• the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

(Currency - In thousands of Turkish Lira ("TL"))

Interests in associates and the joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

Group entities

Subsidiaries	**Country of Incorporation**	**Direct ownership %** 31 Dec 2014	31 Dec 2013	**Indirect ownership %** 31 Dec 2014	31 Dec 2013
Insurance Brokarage					
Sigortayeri Sigorta ve Reasürans Brokerlığı A.Ş.	Turkey	100.00%	100.00%	-	-
Payment Systems					
Epost Elektronik Perakende Otomasyon Satış Tic. A.Ş.	Turkey	99.27%	99.27%	-	-
E-Kent Teknoloji ve Ödeme Sistemleri San ve Tic. A.Ş.	Turkey	-	-	99.27%	99.27%
N Kolay İşyeri A.Ş.	Turkey	-	-	99.27%	-
UPT Para Transfer ve Ödeme Hizmetleri A.Ş.	Turkey	100.00%	-	-	-
Real Estate					
Emlak Grişim Danışmanlığı A.Ş.	Turkey	100.00%	100.00%	-	-
Entrepreneurship					
Shoop A.Ş.	Turkey	-	-	39.71%	-
Service					
Pavo Teknik Servis Elektrik Elektronik Sanayi ve Ticaret A.Ş.	Turkey	-	-	79.42%	79.42%
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Tic. A.Ş.	Turkey	-	-	99.27%	-

Equity accounted investees	**Country of Incorporation**	**31 December 2014 Ownership %**	**31 December 2013 Ownership %**
Kazakhstan Ijara Company Jsc	Kazakhstan	14.31 %	14.31 %
İFM İstanbul Finans Merkezi İnşaat Taahüüt A.Ş.	Turkey	5.00 %	5.00 %
Euroasian Leasing Company	Republic of Tatarstan	25.00 %	-

3.4 Interest income / expense

Interest income and expense are recognised in 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. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

3.5 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 are recognised as the related services are provided.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.6 Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.7 Dividends

Dividend income is recognised when the right to receive income is established.

3.8 Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.9 Manufacturing and other operations revenue

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis as financial income.

Sales of the goods

Income obtained from the sales of the goods is accounted after the below conditions are executed:

• The Group's transferring all the important risks and gains related to the property to the buyer,
• The Group not having any control on the continued administrative participation associated with property and on the sold properties,
• Measuring the amount of income reliably,
• Possibility of a flow of the economic benefits related to the act to the Group, and
• Measuring the costs resulting from the act reliably.

Services provided

Contract revenue and costs related to the projects are recognised when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related with the project is highly probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed price contracts and revenue is recognised in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognised as contract revenue in the relevant period.

3.10 Financial assets and liabilities

Recognition

The Bank initially recognises loans and advances to customers, investment securities, funds borrowed, customer accounts and debt securities issued on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

Offsetting

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

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

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Derivative financial instruments

The Group enters into transactions with derivative instruments including forwards, swaps, currency options and interest rate cap/floor agreements in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however, since they do not qualify for hedge accounting under the specific provisions of International Accounting Standard 39 – Financial instruments: Recognition and measurement ("IAS 39"), they are treated as derivatives held for trading. 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 on 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.

Identification and measurement of impairment

On each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment for loans and advances and investment debt security portfolio at both a specific asset and collective level. All individually significant loans and advances and investment debt security portfolio are assessed for specific impairment. Loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances portfolio with similar risk characteristics.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

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

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances with Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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 cash and cash equivalents, and the underlying asset is not recognised in the Bank's consolidated financial statements. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.12 Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

3.13 Loans and advances to customers

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 presented within loans and advances to customers.

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.

3.14 Investment securities

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

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments except the equity securities are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognised in profit or loss.

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3.15 Repurchase transactions

The Bank enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as obligations under repurchase agreements.

Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense".

3.16 Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is recognised in profit or loss.

3.17 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories consist of raw material, semi-finished goods, finished goods, commercial goods and other stocks.

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3.18 Tangible assets

Recognition and measurement

Items of tangible assets are restated for the effects of inflation to 31 December 2005, less accumulated depreciation and impairment losses. Tangible assets acquired after 31 December 2005 is reflected at cost, less accumulated depreciation and impairment losses.

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

Subsequent costs

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

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for as at 31 December 2014 and 2013 are as follows:

• machinery or equipment	3-15 years
• furniture and fixtures	2-50 years
• motor vehicles	5 years
• other fixed assets	5-50 years

Leasehold improvements are depreciated on a straight-line method over the shorter of the lease term and their useful lives.

3.19 Intangible assets

(i) Service agreements

Service agreements acquired in a business combination are recognised at fair value at the acquisition date. The service agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the service agreements.

(ii) Software

Software acquired by the Bank is restated for the effects of inflation to 31 December 2005, less accumulated amortisation and impairment losses. Intangible assets acquired after 31 December 2005 are reflected at cost, less accumulated amortisation and impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is 3 to 15 years.

(iii) Goodwill

Goodwill that arises upon the acquisition of subsidiaries the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative bargain), it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(iv) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.20 Non-current assets held for sale

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

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

3.21 Impairment of non-financial assets

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

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.22 Leased assets - lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, the leased assets are not recognised on the Bank's statement of financial position.

3.23 Funds borrowed and debt securities issued

Funds borrowed and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.24 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.25 Employee benefits

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit.

Under IAS 19 (2011), the Group determines the net interest expense (income) for the period on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest on the effect on the asset ceiling.

As per revised IAS 19 all actuarial gain or losses are recognized under other comprehensive income starting from 1 January 2013.

3.26 Trade and other payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.27 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed on each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.28 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3.29 Segment reporting

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

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3.30 Borrowing Costs

The Group, whenever required, generates funds from domestic and foreign sources in the form of borrowings, and bill and bond issuances in the local and international markets. The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method.

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.

The bank has started a construction project to build a new head office that is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and capitalized the borrowing costs amounting to TL 12,157 for the qualifying asset as of 31 December 2014 (2013: None).

3.31 Application of new and revised international financial reporting standards (IFRSs)

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements

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]

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

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 that 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

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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 judgements 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).

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.

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements
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.

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

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments [4]
IFRS 14	Regulatory Deferral Accounts [1]
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint operations [1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants [1]
IFRS 15	Revenue from Contracts with Customers [3]
Amendments to IAS 27	Equity Method in Separate Financial Statements [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Annual Improvements to 2012-2014 Cycle IFRS 5, IFRS 7, IAS 9, IAS 34 2	
Amendments to IAS 1	Disclosure Initiative [1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception [1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 July 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

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, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

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.

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

• apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
• disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
• Identify the contract with the customer,
• Identify the performance obligations in the contract,
• Determine the transaction price,
• Allocate the transaction price to the performance obligations in the contracts,
Recognise revenue when the entity satisfies a performance obligation.

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Amendments to IAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 9: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments to IAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgement in presenting their financial reports.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

• The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
• A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

• When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
• An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

4. Use of estimates and judgements

Management decides to the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 6).

Key sources of estimation uncertainty

Allowances for loan losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.10.

The Bank reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Due to the increase in the consumer loan portfolio of the Bank and the availability of the historical trends of the probability of default, starting from 1 January 2012, the Bank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

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.

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:

At 31 December 2014	Note	Level 1	Level 2	Level 3	Total
Trading assets	11	3,590	661	-	4,251
Investment securities – AFS portfolio	12	779,783	91,126	-	870,909
		783,373	**91,787**	-	**875,160**
Trading liabilities	11	-	(2,510)	-	(2,510)
		-	**(2,510)**	-	**(2,510)**

At 31 December 2013	Note	Level 1	Level 2	Level 3	Total
Trading assets	11	3,766	2,482	-	6,248
Investment securities – AFS portfolio	12	644,789	-	-	644,789
		648,555	**2,482**	-	**651,037**
Trading liabilities	11	-	(1,475)	-	(1,475)
		-	**(1,475)**	-	**(1,475)**

Financial asset and liability classification

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

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In classifying financial assets and liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.10.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. The Group has not recognized deferred tax assets because it is in the development stage and it is not apparent that taxable profit will be available sufficient to recognize deferred tax assets. If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

5. Restatement of prior year financial statements

The table below summarises the restatements to the consolidated balance sheet, statement of profit or loss of the Group as at and for the year ended 31 December 2013:

	Note	Restatement 31 December 2013	Restatements and reclassifications	As restated 31 December 2013
ASSETS				
Cash and cash equivalents		196,494	-	196,494
Reserve deposits at Central Bank		299,299	-	299,299
Trading assets		6,248	-	6,248
Trade and other receivables		6,157	-	6,157
Inventories		3,957	-	3,957
Loans and advances to customers	13	3,580,143	(2,274)	3,577,869
Investment securities		644,789	-	644,789
Equity accounted investees		8,675	-	8,675
Tangible assets		181,950	-	181,950
Intangible assets	7	36,829	22,827	59,656
Goodwill	7	3,796	(3,292)	504
Deferred tax assets		5,118	-	5,118
Other assets		117,902	(118)	117,784
Total assets		**5,091,357**	**17,143**	**5,108,500**
LIABILITIES				
Trading liabilities		1,475	-	1,475
Trade and other payables	7	7,177	11,738	18,915
Obligations under repurchase agreements		538,404	-	538,404
Financial lease liabilities		32,229	-	32,229
Debt securities issued		2,004,194	-	2,004,194
Funds borrowed		1,098,274	-	1,098,274
Provisions		54,054	-	54,054
Income taxes payable		8,791	-	8,791
Deferred tax liability	7	-	4,565	4,565
Other liabilities	13	512,505	(2,404)	510,101
Total liabilities		**4,257,103**	**13,899**	**4,271,002**
EQUITY				
Share capital		701,595	-	701,595
Legal reserves		11,279	-	11,279
Unrealised gains/(losses) on available-for-sale assets		(10,716)	(1,283)	(11,999)
Actuarial gain/ (loss)		-	133	133
Translation reserves		-	1,197	1,197
Retained earnings		131,412	(551)	130,861
Total equity attributable to equity holders of the Bank		**833,570**	**(504)**	**833,066**
Non-controlling interests		684	3,748	4,432
Total equity		**834,254**	**3,244**	**837,498**
Total liabilities and equity		**5,091,357**	**17,143**	**5,108,500**

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	As previously reported 31 December 2013	Restatements and reclassifications	As restated 31 December 2013
Interest income	515,006	-	515,006
Interest expense	(243,494)	-	(243,494)
Net interest income	**271,512**	-	**271,512**
Fees and commission income	98,183	-	98,183
Fees and commission expense	(19,793)	-	(19,793)
Net fee and commission income	**78,390**	-	**78,390**
Net trading (loss) / income (*)	(9,348)	716	(8,632)
Sales income	35,110	-	35,110
Other income	25,745	-	25,745
Operating income	**401,409**	**716**	**402,125**
Net impairment loss on financial assets	(43,416)	-	(43,416)
Impairment on stock	(1,141)	-	(1,141)
Personnel expenses	(88,995)	-	(88,995)
Depreciation and amortisation	(12,682)	-	(12,682)
Administrative expenses (**)	(43,797)	(6,869)	(50,666)
Cost of sales	(3,337)	-	(3,337)
Cost of services (*)	(20,930)	(1,966)	(22,896)
Other operating expenses (**)	(24,758)	6,869	(17,889)
Total operating expenses	**(239,056)**	**(1,966)**	**(241,022)**
Share of profit of equity accounted investee	(191)	-	(191)
Profit before income tax	**162,162**	**(1,250)**	**160,912**
Income tax expense	(36,765)	393	(36,372)
Net profit for the year from continuing operations	**125,397**	**(857)**	**124,540**
Profit attributable to			
Equity holders of the Bank	125,263	(554)	124,709
Non-controlling interest	134	(303)	(169)
Profit for the year	**125,397**	**(857)**	**124,540**
Other comprehensive income			
Items that will not be reclassified to profit or loss:	**133**	-	**133**
Change in actuarial gain related to employee benefits	166	-	166
Tax effect	(33)	-	(33)
Items that are or may be reclassified subsequently to profit or loss:	**(18,941)**	-	**(18,941)**
Change in fair value of available-for-sale financial assets	(25,173)	-	(25,173)
Foreign currency translation differences	1,197	-	1,197
Income tax on other comprehensive income	5,035	-	5,035
Other comprehensive income for the year, net of tax	**(18,808)**	-	**(18,808)**
Total comprehensive income for the year	**106,589**	**(857)**	**105,732**
Total comprehensive income attributable to:			
Equity holders of the Bank	106,455	(857)	105,598
Non-controlling interest	134	-	134
Total comprehensive income for the year	**106,589**	**(857)**	**105,732**

(*) The Group did not recognize the amortization expenses amounting to TL 1,966, foreign exchange difference on consideration payable amounting to TL 716 in its previously reported prior year financials. Therefore the Group has decided to restate its previously reported financial statements as of 31 December 2013 (Note 7).
(**) The Group reclassified consultancy expenses amounting to TL 6,869 from other operating expenses to administrative expenses.

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6. Financial risk management

Introduction and overview

The Bank has exposure to the following risks from its use of 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 Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring Bank risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Bank's credit risk management strategy is based on a three-part methodology that embraces the customer selection, credit allocation, and credit pricing stages. Since it was founded, the Bank has always managed its credit risks by taking a portfolio-logic approach. This sums up the Bank's basic risk management strategy.

In the first stage of the lending process, industry weightings are determined and firms that are seeking credit are given a preliminary screening. This initial check is followed by the credit allocation stage in which firms are individually rated and the Bank's guarantee strategy is determined according to the results of this rating. In the final stage of the lending process, prices are determined by taking a risk-premium approach.

Exposure to credit risk

	Cash at banks (excluding cash at Central Bank)		Trade receivables		Loans and advances to customers		Investment securities	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Carrying amount	**155,337**	**82,873**	**15,135**	**6,157**	**3,983,292**	**3,577,869**	**887,838**	**644,789**
Assets at amortised cost								
Neither past due nor impaired								
- Low risk	155,337	82,873	15,135	6,157	3,324,131	3,304,401	16,929	-
- Medium risk	-	-	-	-	550,554	228,459	-	-
- High risk	-	-	-	-	41,620	19,393	-	-
- Non graded	-	-	-	-	-	-	-	-
Non-performing financial assets	-	-	7,690	-	120,052	87,945	-	-
Gross amount	**155,337**	**82,873**	**22,825**	**6,157**	**4,036,357**	**3,640,198**	**16,929**	**-**
Allowance for impairment								
- Individual impairment	-	-	(7,690)	-	(42,686)	(54,145)	-	-
- Collective impairment	-	-	-	-	(10,379)	(8,184)	-	-
Carrying amount amortised cost	**155,337**	**82,873**	**15,135**	**6,157**	**3,983,292**	**3,577,869**	**16,929**	**-**
Assets at fair value								
Available-for-sale assets								
Neither past due nor impaired								
- Low risk	-	-	-	-	-	-	870,909	644,789
Carrying amount fair value	**-**	**-**	**-**	**-**	**-**	**-**	**870,909**	**644,789**
Total carrying amount	**155,337**	**82,873**	**15,135**	**6,157**	**3,983,292**	**3,577,869**	**887,838**	**644,789**

The disclosures set out in the tables below include financial assets and financial liabilities that:

• are offset in the Group's statement of financial position; or
• are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements. Similar financial instruments include derivatives. Financial instruments such as loans and funds are not disclosed in the tables below unless they are offset in the statement of financial position.

Such collateral is subject to each agreement terms. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The Bank receives and gives collateral in the form of cash in respect of the derivative transactions.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

					Related amounts not offset in the statement of financial position		
	Types of financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
31 December 2014	Derivatives trading assets	661	-	661	(661)	-	-
31 December 2013	Derivatives trading assets	2,482	-	2,482	(2,482)	-	-

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					Related amounts not offset in the statement of financial position		
	Types of financial assets	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial assets	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
31 December 2014	Derivatives trading liabilities	2,510	-	2,510	(2,510)	-	-
31 December 2013	Derivatives trading liabilities	1,475	-	1,475	(1,475)	-	-

Impaired loans and advances to customers

Impaired loans and advances to customers are those for which the Bank determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans.

Allowance for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of the Bank and the availability of the historical trends of the probability of default, starting from 1 January 2012, the Bank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan balance, and any related allowances for impairment losses, when Bank determines that the loan is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers	
	Gross	**Net**
31 December 2014		
Individually impaired	120,052	77,366
31 December 2013		
Individually impaired	87,945	33,800

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over machinery, other registered securities over assets, and guarantees.

Cash loans	**31 December 2014**	**31 December 2013**
Against neither past due nor impaired		
- Cash blockage	45,847	39,261
- Pledge on assets	98,100	109,069
- Cheques and notes	-	4,152
- Shares	19,287	-
Against past due but impaired		
- Cash blockage	-	-
- Pledge on assets	243	6,056
Against individually impaired		
- Pledge on assets	63,796	3,150
Total	**227,273**	**161,688**

The Bank also holds collateral against non-cash loans as stated below:

Non-cash loans	**31 December 2014**	**31 December 2013**
Cash blockage	15,247	39,235
Pledge on assets	97,367	66,692
	112,614	**105,927**

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In addition to collaterals stated above, the Bank holds customer sureties amounting against its cash loans and advances to customers and against its non-cash loans.

Concentration risk by location

The Bank's total risk for loans and advances to customers and investment debt securities (held-to-maturity portfolio) is mainly concentrated on Turkey.

Concentration risk by sector

The Bank monitors concentrations of credit risk for cash loans and advances to customer and non-cash loans to customers by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	31 December 2014				31 December 2013			
Sector	**Cash loans**	**%**	**Non-cash loans**	**%**	**Cash loans**	**%**	**Non-cash loans**	**%**
Construction	528,720	13	377,710	38	32,453	1	479,066	48
Financial institution	2,319	-	72,531	7	61,835	2	40,832	4
General services	1,757,126	45	142,037	14	1,414,991	39	117,895	12
Media	-	-	5,383	1	-	-	54,308	5
Automotive	17,677	-	17,691	2	730	-	19,107	2
Textile	-	-	10,619	1	96,033	3	11,766	1
IT industry	-	-	1,044	-	-	-	-	-
Electricity industry	-	-	3,450	-	-	-	3,635	-
Iron and steel industry	-	-	58,842	6	-	-	202	-
Public	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	206	-	4,176	-	109	-
Energy industry	1,424	-	269,841	27	-	-	237,333	24
Trade	144,913	4	-	-	118,499	3	-	-
Other(*)	1,531,113	38	31,755	4	1,849,152	52	29,217	4
	3,983,292	**100**	**991,109**	**100**	**3,577,869**	**100**	**993,470**	**100**

(*) Includes consumer loans, unclassified loans, factoring and leasing receivables.

Securitization

The Bank has established Asset Backed Securitization Funds named Aktif Yatırım Bankası A.Ş. (7) No'lu Emek Varlık Finansman Fonu and Aktif Yatırım Bankası A.Ş. (8) No'lu Emek Varlık Finansman Fonu in accordance with the communiqué of Capital Markets Board Serial: III No: 35 Principles Regarding Asset Finance Funds and Asset Backed Securities. TL 363,206 portion of the Bank's consumer loans were transferred to the Asset Backed Securitization Fund and TL 14,642 of profit gained from the transaction is accounted as "Gains on Sales of Assets" (31 December 2013: The Bank has established Asset Backed Securitization Funds named Aktif Yatırım Bankası A.Ş. (7) No'lu Emek Varlık Finansman Fonu and Aktif Yatırım Bankası A.Ş (8) No'lu Emek Varlık Finansman Fonu in accordance with the communiqué of Capital Markets Board Serial: III No: 35 Principles Regarding Asset Finance Funds and Asset Backed Securities. TL 443,713 portion of the Bank's consumer loans were transferred to the Asset Backed Securitization Fund and TL 21,619 of profit gained from the transaction is accounted as "Gains on Sales of Assets").

Securitised loans are derecognised following the transfer of assets, credit risks and rights related to the transferred asset.

The Bank carries a guarantee risk due to securitization. TL 19,015 (31 December 2013: 13,802 TL) portion of the risk is accounted as blocked marketable security and measured with fair value.

There is an amount of TL 78,544 securitization position exists as blocked marketable security (31 December 2013: TL 18,516).

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Bank utilises capital market instruments. Additionally, the Bank also funds itself from the domestic and foreign market when it needs additional funds.

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Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to short-term funds borrowed. For this purpose net liquid assets are considered as including cash and cash equivalents and trading debt securities for which there is an active and liquid market less any short-term funds borrowed and commitments. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the BRSA.

	31 December 2014	31 December 2013
Average for the year	140%	174%
Maximum for the year	211%	219%
Minimum for the year	101%	135%

Residual contractual maturities of financial liabilities

	Note	Carrying amount	Gross nominal inflow / (outflow)	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2014									
Non-derivative liabilities									
Obligations under repurchase agr.	19	193,677	(193,933)	-	(192,211)	(1,653)	(69)	-	-
Debt securities issued	21	3,008,118	(3,051,811)	-	(1,439,823)	(1,282,389)	(313,243)	(16,356)	-
Funds borrowed	20	1,509,958	(1,535,863)	-	(660,227)	(375,720)	(298,271)	(201,645)	-
Trade payables		35,085	(35,085)	(35,085)	-	-	-	-	-
Financial lease liabilities		40,223	(40,223)	-	-	-	-	(40,223)	-
Customer accounts (*)	24	403,155	(403,155)	(403,155)	-	-	-	-	-
Derivative financial instruments									
Inflow	11	(661)	604,555	-	569,090	17,486	17,979	-	-
Outflow	11	2,510	(606,917)	-	(560,459)	(28,755)	(17,703)	-	-
		5,192,065	**(5,262,432)**	**(438,240)**	**(2,283,630)**	**(1,671,031)**	**(611,307)**	**(258,224)**	**-**

(*) Included in other liabilities.

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	Note	Carrying amount	Gross nominal inflow / (outflow)	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2013									
Non-derivative liabilities									
Obligations under repurchase agr.	19	538,404	(538,613)	-	(538,591)	(22)	-	-	-
Debt securities issued	21	2,004,194	(2,032,349)	-	(904,250)	(639,757)	(488,342)	-	-
Funds borrowed	20	1,098,274	(1,104,507)	-	(692,393)	(95,888)	(307,102)	(9,124)	-
Trade payables		18,915	(18,915)	-	(18,915)	-	-	-	-
Financial lease liabilities		32,229	(32,229)	-	-	-	(32,229)	-	-
Customer accounts(*)	24	456,383	(456,554)	(436,808)	(19,746)		-	-	-
Derivative financial instruments									
Inflow	11	(2,482)	377,947	-	346,804	31,143	-	-	-
Outflow	11	1,475	(382,034)	-	(350,964)	(31,070)	-	-	-
		4,147,392	(4,187,254)	(436,808)	(2,178,055)	(735,594)	(827,673)	(9,124)	-

(*) Included in other liabilities.

The gross nominal inflow / (outflow) disclosed in the table above is the contractual, undiscounted cash flow on the financial liability or commitment.

Market risk

Market risk is the risk that, measured by changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) which will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in Asset and Liability Committee ("ALCO").

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's portfolios is Standard Method.

A summary of the Standard Method position of the Bank's portfolios on 31 December 2014 and 2013 and during the period is as follows:

	At the end of the year	Average	Maximum	Minimum
31 December 2014				
Foreign currency risk	760	420	1,242	142
Interest rate risk	17,204	13,901	16,774	10,613
Counterparty	944	2,148	3,861	977
Equity risk	-	443	482	411
Commodity risk	697	197	697	-
	19,605	**17,109**	**23,056**	**12,143**
31 December 2013				
Foreign currency risk	2,818	850	5,119	111
Interest rate risk	10,075	11,482	13,279	10,075
Counterparty	2,959	1,743	2,959	984
Equity risk	452	420	485	66
	16,304	**14,495**	**21,842**	**11,236**

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management Department of the Bank in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Note	Carrying amount	Unallocated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2014									
Cash and cash equivalents	9	286,470	-	165,441	121,029	-	-	-	-
Reserve deposits at Central Bank	10	497,612	-	-	497,612	-	-	-	-
Trading assets	11	3,590	-	-	3,590	-	-	-	-
Loans and advances to customers	13	3,983,292	-	-	1,483,087	1,066,136	205,545	1,186,153	42,371
Investment securities	12	887,838	160	-	131,227	165,316	148,968	11,937	430,230
		5,658,802	**160**	**165,441**	**2,236,545**	**1,231,452**	**354,513**	**1,198,090**	**472,601**
Obligations under repurchase agr.	19	193,677	-	-	193,610	67	-	-	-
Debt securities issued	21	3,008,118	-	-	2,694,495	168,985	129,500	15,138	-
Financial lease liabilities		40,223	-	-	-	-	-	40,223	-
Funds borrowed	20	1,509,958	-	-	1,027,399	119,928	175,352	187,279	-
		4,751,976	**-**	**-**	**3,915,504**	**288,980**	**304,852**	**242,640**	**-**
Interest rate gap		**906,826**	**160**	**165,441**	**(1,678,959)**	**942,472**	**49,661**	**955,450**	**472,601**

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	Note	Carrying amount	Unallocated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2013									
Cash and cash equivalents	9	196,494	-	145,219	51,275	-	-	-	-
Reserve deposits at Central Bank	10	299,299	-	-	299,299	-	-	-	-
Trading assets	11	3,766	-	-	3,766	-	-	-	-
Loans and advances to customers	13	3,577,869	-	-	2,052,545	171,033	202,840	1,078,891	72,560
Investment securities – AFS	12	644,789	-	-	193,766	45,787	101,438	279,257	24,541
		4,722,217	**-**	**145,219**	**2,600,651**	**216,820**	**304,278**	**1,358,148**	**97,101**
Obligations under repurchase agr.	19	538,404	-	-	538,404	-	-	-	-
Debt securities issued	21	2,004,194	-	-	1,530,364	467,280	6,550	-	-
Financial lease liabilities		32,229	-	-	-	-	32,229	-	-
Funds borrowed	20	1,098,274	-	-	786,844	224,851	75,907	10,672	-
		3,673,101	**-**	**-**	**2,855,612**	**692,131**	**114,686**	**10,672**	**-**
Interest rate gap		**1,049,116**	**-**	**145,219**	**(254,961)**	**(475,311)**	**189,592**	**1,347,476**	**97,101**

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	Profit or loss		Equity	
At 31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Investment securities – available-for-sale	-	-	(10,354)	10,548
	-	**-**	**(10,354)**	**10,548**

	Profit or loss		Equity	
At 31 December 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Investment securities – available-for-sale	-	-	(5,950)	6,175
	-	**-**	**(5,950)**	**6,175**

Summary of average interest rates

As at 31 December 2014 and 2013, the summary of average interest rates for different assets and liabilities are as follows:

	31 December 2014			31 December 2013		
	Euro	USD	TL	Euro	USD	TL
Assets						
Cash and cash equivalents	-	-	5.25	-	-	8.82
Loans and advances to customers	8.31	8.41	15.88	8.63	8.33	12.57
Investment securities – AFS	4.17	5.17	8.51	5.13	11.88	7.51
Investment securities – HTM	-	-	11.33	-	-	-
Liabilities						
Obligations under repurchase agreements	1.32	2.02	7.13	3.51	3.25	6.97
Debt securities issued	2.84	3.01	11.19	4.53	4.71	10.16
Funds borrowed	2.56	2.56	14.07	2.64	2.46	8.91

Foreign currency risk

31 December 2014	Euro	USD	Other	Total
Cash and cash equivalents	11,308	89,028	11,388	111,724
Reserve deposits at Central Bank	73,622	413,927	10,063	497,612
Loans and advances to customers	528,348	949,945	-	1,478,293
Investment securities – AFS	16,449	22,923	-	39,372
Equity accounted investees	-	7,196	4,292	11,488
Other assets	2,157	7,424	-	9,581
Trade and other payables	(32)	(47)	-	(79)
Funds borrowed	(233,783)	(1,088,424)	-	(1,322,207)
Obligations under repurchase agreements	(2,317)	(11,174)	-	(13,491)
Debt securities issued	(189,101)	(373,412)	-	(562,513)
Other liabilities	(157,667)	(129,458)	(22,414)	(309,539)
Net statement of financial position	**48,984**	**(112,072)**	**3,329**	**(59,759)**
Forward exchange contracts	(48,319)	104,637	(4,655)	51,663
Net total position	**665**	**(7,435)**	**(1,326)**	**(8,096)**

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31 December 2013	Euro	USD	Other	Total
Cash and cash equivalents	29,372	35,123	4,879	69,374
Reserve deposits at Central Bank	53,186	236,811	9,302	299,299
Loans and advances to customers	323,073	435,147	-	758,220
Investment securities – AFS	15,841	17,886	-	33,727
Other assets	2,065	10,035	34	12,134
Funds borrowed	(164,438)	(665,057)	-	(829,495)
Obligations under repurchase agreements	(15,486)	(1,551)	-	(17,037)
Debt securities issued	(119,507)	(142,368)	-	(261,875)
Other liabilities	(198,565)	(159,456)	(13,267)	(371,288)
Net statement of financial position	**(74,459)**	**(233,430)**	**948**	**(306,941)**
Forward exchange contracts	74,732	185,416	-	260,148
Net total position	**273**	**(48,014)**	**948**	**(46,793)**

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies on 31 December 2014 and 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2014	Equity	Profit or loss
Euro	67	(16)
USD	(744)	(848)
Other currencies	(133)	(133)
	(810)	**(997)**

31 December 2013	Equity	Profit or loss
Euro	27	3
USD	(4,801)	(4,581)
Other currencies	95	95
	(4,679)	**(4,483)**

A 10 percent strengthening of the TL against the foreign currencies on 31 December 2014 and 2013 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.

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 as a 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 framework, an appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

All the operational risks that are exposed during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Bank arising from operational risks are regularly monitored by the Risk Management Department of the Bank, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The Bank calculated the value of operational risk in accordance with the fourth section regarding the "Computation of Value of Operational Risk" of the circular, "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 28337 on June 28, 2012 and entered into force as of July 1, 2012, using gross profit of the last three years 2013, 2012 and 2011 ("the Basic Indicator Approach). The amount, calculated as TL 36,547 as at 31 December 2014 (31 December 2013: TL 23,439) represents the operational risk that the Group may be exposed to and the amount of minimum capital requirement to eliminate this risk. Value of operational risk amounted to TL 456,838 (31 December 2013: TL 292,987) and is calculated as 12.5 times the operational risk.

Capital management

The Bank's lead regulator, BRSA sets and monitors capital requirements for the Bank as a whole.

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Capital adequacy ratio has been calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", "Credit Risk Mitigation Techniques" and "Calculation of Risk weighted Amounts for Securitizations" Communiqués that have been published in Official Gazette no. 28337 on 28 June 2012 and became effective as of 1 July 2012 and "Regulation on Equity of Banks" that has been published in Official Gazette no. 26333 on November 1, 2006.

Capital adequacy ratio is calculated based on total capital requirements needed for credit risk, market risk and operational risk. Credit risk is calculated by holding risk-weighted assets and non-cash loans subject to risk weights in the relevant legislation and taking risk mitigation techniques into account; the standard method is used to calculate market risk and the basic indicator approach is used to calculate operational risk.

In implementing current capital requirements of BRSA requires the Bank to maintain an 8% ratio of total capital to total risk-weighted assets.

As at 31 December 2014, the Bank's capital adequacy ratio is 12.73% (31 December 2013: 13.23%).

Financial assets and liabilities

Accounting classification and 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 most of the financial instruments' maturities are short-term except for the loans and advances to customers and investment securities.

Valuation technique used for determining the fair value of the loans and advances to customers is net present value model. Assumptions and inputs used in net present value model include benchmark interest rates, credit spreads or other premium used in estimating discount rates. The fair value of the investment securities is determined based on the quoted market prices. The objective of valuation technique is to arrive at a fair value determination that reflects the prices of the loans and advances to customers and investment securities at the reporting date that would have been determined by market participants acting at arm's length.

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

The fair value measurement for fixed rate loans and receivables are calculated by using the discounted cash flow method and has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

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	Note	Trading	Loans and receivables	Available-for-sale	Held-to-maturity	Other amortised cost	Total carrying amount	Fair value
31 December 2014								
Cash and cash equivalents	9	-	286,470	-	-	-	286,470	286,470
Trade and other receivables		-	-	-	-	15,135	15,135	15,135
Reserve deposits at Central Bank	10	-	497,612	-	-	-	497,612	497,612
Trading assets	11	4,251	-	-	-	-	4,251	4,251
Loans and advances to customers	13	-	3,983,292	-	-	-	3,983,292	3,971,572
Investment securities	12	-	-	870,909	16,929	-	887,838	887,838
		4,251	**4,767,374**	**870,909**	**16,929**	**15,135**	**5,674,598**	**5,662,878**
Trading liabilities	11	2,510	-	-	-	-	2,510	2,510
Trade and other payables		-	-	-	-	35,085	35,085	35,085
Financial lease liabilities		-	-	-	-	40,223	40,223	40,223
Obligations under rep. agr.	19	-	-	-	-	193,677	193,677	193,677
Debt securities issued	21	-	-	-	-	3,008,118	3,008,118	3,008,118
Funds borrowed	20	-	-	-	-	1,509,958	1,509,958	1,509,958
		2,510	**-**	**-**	**-**	**4,787,061**	**4,789,571**	**4,789,571**

	Note	Trading	Loans and receivables	Available-for-sale	Held-to-maturity	Other amortised cost	Total carrying amount	Fair value
31 December 2014								
Cash and cash equivalents	9	-	196,494	-	-	-	196,494	196,494
Trade and other receivables		-	-	-	-	6,157	6,157	6,157
Reserve deposits at Central Bank	10	-	299,299	-	-	-	299,299	299,299
Trading assets	11	6,248	-	-	-	-	6,248	6,248
Loans and advances to customers	13	-	3,577,869	-	-	-	3,577,869	3,430,685
Investment securities – AFS	12	-	-	644,789	-	-	644,789	644,789
		6,248	**4,073,662**	**644,789**	**-**	**6,157**	**4,730,856**	**4,583,672**
Trading liabilities	11	1,475	-	-	-	-	1,475	1,475
Trade and other payables		-	-	-	-	18,915	18,915	18,915
Financial lease liabilities		-	-	-	-	32,229	32,229	32,229
Obligations under rep. agr.	19	-	-	-	-	538,404	538,404	538,404
Debt securities issued	21	-	-	-	-	2,004,194	2,004,194	2,004,194
Funds borrowed	20	-	-	-	-	1,098,274	1,098,274	1,098,274
		1,475	**-**	**-**	**-**	**3,692,016**	**3,693,491**	**3,693,491**

Business combinations

31 December 2014

There are no business combinations as at 31 December 2014.

31 December 2013

Acquisition of E-Kent

According to share transfer agreement dated 7 August 2013, E-Post has decided to purchase 100 percent of shares at E-Kent which is ultimately controlled by the same Group both before and after the combination for a consideration of TL 37,500. On 11 September 2013, the share transfer was finalised and E-Post obtained control by acquiring 100 percent of shares and voting rights in E-Kent.

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	
Cash paid	37,500
Total consideration	**37,500**

	Recognised values on acquisition
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6,568
Trade and other receivables	9,697
Inventories	3,328
Other assets	1,349
Tangible assets	17,315
Intangible assets	5,070
Total assets	**43,327**
Funds borrowed	(25,857)
Trade and other payables	(3,366)
Other liabilities	(5,720)
Total liabilities	**(34,943)**
Total net identifiable assets	**8,384**

Excess of net assets over cash paid is amounting to TL 29,177 is recognised in "Transactions under common control" directly in equity.

Total consideration transferred	**37,500**
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	61
Less: Value of net identifiable assets	(8,384)
	29,177

Cash consideration transferred	37,500
Cash and cash equivalents acquired	(6,568)
Net cash outflow arising on acquisition	**30,932**

Acquisition of Pavo (as restated)

According to share transfer agreement dated 26 August 2013, E-Kent has decided to purchase 80 percent of shares at Pavo for a consideration of TL 4,529. On 20 September 2013, the share transfer was finalised and E-Kent obtained control by acquiring 80 percent of shares and voting rights in Pavo. The Group did not recognize the intangible assets amounting to TL 22,827, consideration payable amounting to TL 12,455 and non-controlling interests amounting to TL 4,270 in its previously reported prior year financials. Therefore the Group has decided to restate its previously reported financial statements as of 31 December 2013 (Note 5).

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The fair value of the company acquired is based on discounted cash flows method.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	
Cash paid	4,529
Consideration payable	12,455
Total consideration	**16,984**

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Assets acquired and liabilities recognized at the date of acquisition

	Fair Value
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	389
Trade and other receivables	373
Inventories	267
Other assets	171
Tangible assets	22
Intangible assets	24,799
Total assets	**26,021**
Trade and other payables	(169)
Other liabilities	(143)
Deferred tax liability	(4,959)
Total liabilities	**(5,271)**
Total net identifiable assets	**20,750**

Goodwill arising on acquisition

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	16,984
Less: fair value of identifiable net assets acquired	(20,750)
Plus: fair value of non-controlling interests	4,270
Goodwill	**504**

Cash consideration transferred	4,529
Cash and cash equivalents acquired	(389)
Net cash outflow arising on acquisition	**4,140**

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8. Segment Reporting

2014	Retail banking	Corporate banking	Investment banking	Other	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	195,794	438,819	80,675	36,000	751,288	10,682	83,927	845,897	(121,939)	723,958
Operating expense	(118,648)	(101,563)	(31,053)	(404,815)	(656,079)	(16,898)	(125,771)	(798,748)	116,229	(682,519)
Income from operations	**77,146**	**337,256**	**49,622**	**(368,815)**	**95,209**	**(6,216)**	**(41,844)**	**47,149**	**(5,710)**	**41,439**
Taxation Charge	-	-	-	(14,459)	(14,459)	1,403	8,795	(4,261)	(3,453)	(7,714)
Net income for the year	**77,146**	**337,256**	**49,622**	**(383,274)**	**80,750**	**(4,813)**	**(33,049)**	**42,888**	**(9,163)**	**33,725**
Segment assets	1,260,655	2,769,658	1,666,638	-	5,696,951	2,161	101,841	5,800,953	(114,118)	5,686,835
Investments in equity participations	-	-	111,358	-	111,358	-	-	111,358	(100,132)	11,226
Other assets	-	-	-	452,415	452,415	32,233	100,035	584,683	(30,917)	553,766
Total assets	**1,260,655**	**2,769,658**	**1,777,996**	**452,415**	**6,260,724**	**34,394**	**201,876**	**6,496,994**	**(245,167)**	**6,251,827**
Segment liabilities	1,811,197	1,186,390	1,707,304	-	4,704,891	2,424	148,720	4,856,035	(66,465)	4,789,570
Equity and other liabilities	-	-	-	1,555,833	1,555,833	31,970	53,156	1,640,959	(178,702)	1,462,257
Total liabilities and equity	**1,811,197**	**1,186,390**	**1,707,304**	**1,555,833**	**6,260,724**	**34,394**	**201,876**	**6,496,994**	**(245,167)**	**6,251,827**
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	84,704
Depreciation	-	-	-	-	-	-	-	-	-	37,597

2013	Retail banking	Corporate banking	Investment banking	Other	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	165,732	431,426	51,321	-	648,479	642	50,038	699,159	(31,679)	667,480
Operating expense	(72,104)	(92,952)	(15,680)	(336,068)	(516,804)	(1,292)	(41,498)	(559,594)	53,386	(506,208)
Income from operations	93,628	338,474	35,641	(336,068)	131,675	(650)	8,540	139,565	21,707	161,272
Taxation Charge	-	-	-	(37,853)	(37,853)	-	-	(37,853)	1,121	(36,732)
Net income for the year	93,628	338,474	35,641	(373,921)	93,822	(650)	8,540	101,712	22,828	124,540
Segment assets	1,535,746	2,085,247	1,139,884	-	4,760,877	369	87,527	4,848,773	(110,646)	4,738,127
Investments in equity participations	-	-	-	53,396	53,396			53,396	(44,721)	8,675
Other assets	-	-	-	290,034	290,034	63	67,297	357,394	4,304	361,698
Total assets	1,535,746	2,085,247	1,139,884	343,430	5,104,307	432	154,824	5,259,563	(151,063)	5,108,500
Segment liabilities	711,595	1,345,076	1,636,657	-	3,693,328	5	78,200	3,771,533	(74,012)	3,697,521
Equity and other liabilities	-	-	-	1,410,979	1,410,979	427	76,624	1,488,030	(77,051)	1,410,979
Total liabilities and equity	711,595	1,345,076	1,636,657	1,410,979	5,104,307	432	154,824	5,259,563	(151,063)	5,108,500
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	202,896
Depreciation	-	-	-	-	-	-	-	-	-	14,051

9. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash and balances with Central Bank	131,133	113,621
- Cash on hand	7,947	4,912
- Unrestricted balances with Central Bank	123,186	108,709
Placements with other banks	155,337	82,873
Cash and cash equivalents	**286,470**	**196,494**
Less: Interest income accruals on cash and cash equivalents	(11)	(61)
Cash and cash equivalents in the statement of cash flows	**286,459**	**196,433**

10. Reserve deposits at Central Bank

	31 December 2014	31 December 2013
Foreign currency	497,612	299,299
	497,612	**299,299**

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 5-11.5% and 6-13%, respectively according to their maturity terms as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (31 December 2013: 5-11.5% for TL and 6-13% for USD or EUR).

Starting from November 2014, interest is paid on reserve requirements held in Turkish Lira. There is no interest payment on reserve requirements held in Foreign Currency.

11. Trading assets and liabilities

Trading assets

	31 December 2014	31 December 2013
Trading securities		
- Investment funds	3,590	3,766
Derivative assets		
- Foreign exchange	661	2,482
-Swap contracts	464	35
-Forward contracts	197	2,407
-Options	-	40
	4,251	**6,248**

Trading liabilities

	31 December 2014	31 December 2013
Derivative liabilities		
- Foreign exchange	2,510	1,475
-Swap contracts	596	-
-Forward contracts	1,914	1,421
-Options	-	54
	2,510	**1,475**

As at 31 December 2014 and 2013, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

As at 31 December 2014 and 2013, no trading debt securities pledged under repurchase agreements.

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On the reporting date, the total notional amount of outstanding derivative financial instruments contracts to which the Bank is committed are as follows:

	31 December 2014	31 December 2013
Forward foreign exchange contracts – buy (*)	188,757	273,303
Forward foreign exchange contracts – sell (*)	177,138	277,386
Swap foreign exchange contracts – buy	312,186	19,209
Swap foreign exchange contracts – sell	313,194	19,213
Option contracts – buy	86,807	85,435
Option contracts – sell	86,806	85,435
Future contracts – buy	16,805	-
Future contracts – sell	29,779	-

(*) Includes spot and forward transactions

12. Investment securities

	31 December 2014		
	Interest rate %	Latest maturity	Carrying amount
Held-to-maturity investment securities			
- Corporate bonds	9.1-12.5	28 December 2018	16,929
Available-for-sale investment securities			
- Government bonds	4.2-11.4	24 December 2024	779,944
- Corporate bonds	7.0-20.8	28 December 2018	90,965
			887,838

	31 December 2013		
	Interest rate %	Latest maturity	Carrying amount
Available-for-sale investment securities			
- Government bonds	3.7-9.5	15 January 2030	626,260
- Corporate bonds	6.7-13.6	04 January 2016	18,529
			644,789

As at 31 December 2014, TL 83,610 and TL 196,270 of investment securities are given as collateral for performing transaction at stock exchange and repurchase agreement, respectively (31 December 2013: TL 20,375 and TL 565,501, respectively).

As at 31 December 2014, TL 78,544 investment securities are blocked for asset backed securitisation funds (31 December 2013: TL 18,516).

13. Loans and advances to customers

As at 31 December 2014 and 2013, all loans and advances to customers are recognized at amortised cost.

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		31 December 2014			31 December 2013 [(*)]	
Corporate customers:						
- Finance leases	-	-	-	1,252	-	1,252
- Other lending	4,036,357	(53,065)	3,983,292	3,638,946	(62,329)	3,576,617
Corporate loans	2,733,219	(8,054)	2,725,165	2,084,970	(36,443)	2,048,527
Consumer loans	1,303,138	(45,011)	1,258,127	1,553,440	(25,886)	1,527,554
Factoring receivables	-	-	-	536	-	536
	4,036,357	**(53,065)**	**3,983,292**	**3,640,198**	**(62,329)**	**3,577,869**

[(*)] As of 31 December 2013, TL 2,274 deferred income is presented as net off on loan and advances to customers.

As at 31 December 2014, TL 2,749,534 (31 December 2013: TL 2,427,740) of loan and advances to customers are expected to be recovered more than 12 months after the reporting date.

Securitised loans are derecognised following the transfer of assets, credit risks and rights related to the transferred asset.

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Allowance for impairment

	31 December 2014	31 December 2013
Allowances for individual impairment		
Balance on 1 January	54,145	16,001
Impairment loss for the year	(11,459)	38,144
- Charge for the year	24,726	43,537
- Recoveries	(36,185)	(5,393)
Balance on 31 December	**42,686**	**54,145**
Allowances for collective impairment		
Balance on 1 January	8,184	2,912
Impairment loss for the year	2,195	5,272
- Charge for the year	2,195	5,272
Balance on 31 December	**10,379**	**8,184**
Total allowances for impairment	**53,065**	**62,329**

Finance lease receivables

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

	31 December 2014	31 December 2013
Gross investment in finance leases, receivable:		
- Less than one year	-	1,359
	-	1,359
Unearned future income on finance leases	-	(107)
Net investment in finance leases	-	**1,252**
The net investment in finance leases comprises:		
- Less than one year	-	1,252
Net investment in finance leases	-	**1,252**

14. Equity accounted investees

Carrying amount of equity accounted investees is summarized below:

	31 December 2014	31 December 2013
Kazakhstan Ijara Company Jsc.	8,101	8,475
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	-	100
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.(*)	100	100
Eurasian Leasing Company	3,025	-
Equity accounted investees	**11,226**	**8,675**

(*) Aktif Bank Sukuk Varlık Kiralama A.Ş. ("VKŞ") engages in the operating activities of issuance of Sukuk. According to IFRS 10, the Company shall have the major effect on the financial statements of the parent company. On the other hand, VKŞ does not have the major effect on the founder of Bank's financial statements required to be consolidated power, variable power and variable returns to affect returns in order to considered in the consolidation. VKŞ does not comply with consolidation requirements of IFRS 10. Thus it is not being consolidated in the financial statements as at 31 December 2014 and 31 December 2013.

The Group's share of income in its equity accounted investees for the year ended 31 December 2014 is TL 695 (31 December 2013: TL (191)).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group is as follows:

2014	Ownership (%)	Total assets	Total liabilities	Profit / (loss) in the year
Kazakhstan Ijara Company Jsc.	14.31	59,995	710	4,790
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.	100	107,659	107,540	6
Eurasian Leasing Company	25	9,434	1,239	431
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	5	370,847	370,158	(234)

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2013	Ownership (%)	Total assets	Total liabilities	Profit / (loss) in the year
Kazakhstan Ijara Company Jsc.	14.31	59,224	-	568
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	5	238,528	243,970	(6,389)
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.	100	206,381	206,265	16

15. Tangible assets

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Motor vehicles	Construction in progress	Other fixed assets	Total
Cost							
Balance on 1 January 2013	7,979	2,310	3,670	32	-	717	14,708
Acquisitions from subsidiaries	11,291	649	-	-	-	5,397	17,337
Additions	22,077	3,134	-	-	104,819	35,382	165,412
Disposals	-	-	-	-	-	(69)	(69)
Balance on 31 December 2013	**41,347**	**6,093**	**3,670**	**32**	**104,819**	**41,427**	**197,388**
Balance on 1 January 2014	41,347	6,093	3,670	32	104,819	41,427	197,388
Additions	10,561	14,457	6,466	46	-	-	31,530
Transfers to intangible assets	(16,320)	(3,082)	(965)	-	(1,738)	-	(22,105)
Capitalized borrowing costs	-	-	-	-	12,157	-	12,157
Transfers	11,766	-	-	-	29,661	(41,427)	-
Balance on 31 December 2014	**47,354**	**17,468**	**9,171**	**78**	**144,899**	**-**	**218,970**
Depreciation and impairment							
Balance on 1 January 2013	3,539	1,700	2,153	6	-	195	7,593
Depreciation for the year	5,931	1,202	650	1	-	62	7,846
Disposals	-	-	-	-	-	(1)	(1)
Balance on 31 December 2013	**9,470**	**2,902**	**2,803**	**7**	**-**	**256**	**15,438**
Balance on 1 January 2014	9,470	2,902	2,803	7	-	256	15,438
Depreciation for the year	13,938	6,610	1,077	2	375	-	22,002
Transfers to intangible assets	(10,132)	(1,153)	(417)	-	(375)	-	(12,077)
Transfers	255	-	-	-	-	(255)	-
Disposals	-	-	-	-	-	(1)	(1)
Balance on 31 December 2014	**13,531**	**8,359**	**3,463**	**9**	**-**	**-**	**25,362**
Carrying amounts							
Balance on 1 January 2013	4,440	610	1,517	26	-	522	7,115
Balance on 31 December 2013	31,877	3,191	867	25	104,819	41,171	181,950
Balance on 31 December 2014	33,823	9,109	5,708	69	144,899	-	193,608

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The Bank has started a construction project to build a new head office that is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and capitalized the borrowing costs amounting to TL 12,157 for the qualifying asset as of 31 December 2014 (2013: None).

16. Intangible assets

	Software	Computer programme	Rights	Total
Cost				
Balance on 1 January 2013	10,590	17,059	-	27,649
Acquisitions from subsidiaries	-	-	29,868	29,868
Additions:				
-Purchases	8,996	843	-	9,839
-Internally developed	-	7,162	-	7,162
Balance on 31 December 2013, as restated (Not 5)	**19,586**	**25,064**	**29,868**	**74,518**
Balance on 1 January 2014	**19,586**	**25,064**	**29,868**	**74,518**
Additions:				
-Purchases	9,184	71	38,538	47,793
-Internally developed	-	5,381	-	5,381
Transfers from property and equipment	-	-	22,105	22,105
Balance on 31 December 2014	**28,770**	**30,516**	**90,511**	**149,797**
Amortisation and impairment				
Balance on 1 January 2013	3,703	4,358	-	8,061
Acquisitions from subsidiaries	-	-	1,965	1,965
Amortisation for the year	836	4,000	-	4,836
Balance on 31 December 2013, as restated (Not 5)	**4,539**	**8,358**	**1,965**	**14,862**
Balance on 1 January 2014	4,539	8,358	1,965	14,862
Transfers from property and equipment	-	-	12,077	12,077
Impairments charges for the years	-	-	4,126	4,126
Amortisation for the year	1,757	81	13,757	15,595
Balance on 31 December 2014	**6,296**	**8,439**	**31,925**	**46,660**
Carrying amounts				
Balance on 1 January 2013	6,887	12,701	-	19,588
Balance on 31 December 2013	15,047	16,706	27,903	59,656
Balance on 31 December 2014	22,474	22,077	58,586	103,137

TL 36,332 of rights consist of public-to-private service concession arrangements of E-Kent with various municipalities accounted in accordance with IFRIC 12 Service Concession Arrangement".

There is no capitalised borrowing costs related to the internal development of software during the year (2013: None).

17. Other assets

	31 December 2014	31 December 2013
Fund service fee accrual	48,073	16,000
Prepaid expenses	36,916	6,918
Suspense accounts	28,526	6,257
Advances given (Note 36)	36,488	5,065
Guarantees given	5,621	1,785
Credit card accounts	9,804	-
Assets to be disposed off (*)	-	69,868
Others	8,946	11,891
	174,374	**117,784**

(*) As at 31 December 2014, TL 69,868 assets to be disposed off recognized in other assets in the prior year is transferred to assets held for sale due to the sales plan.

18. Assets held for sale

	31 December 2014	31 December 2013
Balance at 1 January	-	-
Transfer (*)	69,868	-
Balance at 31 December	**69,868**	-

(*) TL 69,868 assets to be disposed off recognized in other assets in the prior year is transferred to assets held for sale due to the sales plan (31 December 2013: None).

19. Obligations under repurchase agreements

	31 December 2014	31 December 2013
Obligations under repurchase agreements-TL	180,186	521,367
Obligations under repurchase agreements-FC	13,491	17,037
	193,677	**538,404**

20. Funds borrowed

	31 December 2014	31 December 2013
Domestic banks – TL	2,777	258,364
Domestic banks – Foreign currency	213,088	239,568
Foreign banks – TL	184,974	10,415
Foreign banks – Foreign currency	1,109,119	589,927
	1,509,958	**1,098,274**

21. Debt securities issued

As at 31 December 2014 and 2013, all debt securities issued are at amortised cost.

	31 December 2014	31 December 2013
Debt securities issued-TL	2,445,605	1,742,319
Debt securities issued-FC	562,513	261,875
	3,008,118	**2,004,194**

	31 December 2014	31 December 2013
Nominal of debt securities issued	3,211,464	2,075,900
Unaccrued interest expense	(203,346)	(71,706)
	3,008,118	**2,004,194**

In 2014, the Bank issued TL debt securities with maturities between 2 January 2015 and 18 August 2015 (2013: 2 January 2014 - 20 November 2014). The interest rate for TL debt securities is between 10%-13.75% (2013: 7.70%-11.50%).

In 2014, the Bank issued USD denominated debt securities with maturities between 2 January 2015 and 14 November 2016 (2013: 3 January 2014 - 16 May 2014). The interest rate for foreign currency debt securities is between 0.50%-4.60% (2013: 3.20%-5.25%).

In 2014, the Bank issued EUR denominated debt securities with maturities between 2 January 2015 and 16 June 2015 (2013: 3 January 2014 - 11 August 2014). The interest rate for foreign currency debt securities is between 1.50%-3.34% (2013: 3.50%-6.37%).

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22. Taxation

General information

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

In Turkey, effective from 1 January 2006 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.

As at 31 December 2014 and 2013, the current tax liability is as follows:

	31 December 2014	31 December 2013
Income tax liability	17,144	32,769
Prepaid taxes	(17,709)	(23,978)
Income taxes payable	**(565)**	**8,791**

For the year ended 31 December 2014 and 2013, the income tax expense recognised in profit or loss and income tax recognised directly in equity are as follows:

Recognised in profit or loss

	2014	2013
Current tax expense from continuing operations	(10,634)	(36,685)
Deferred tax from continuing operations	2,920	313
Total income tax	**(7,714)**	**(36,372)**

Income tax recognised directly in equity

	31 December 2014	31 December 2013
Available-for-sale investment securities and Actuarial gain/loss		
- Deferred tax	(1,081)	1,086
- Current tax	(3,253)	3,916
	(4,334)	**5,002**

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the Bank for the year ended 31 December 2014 and 2013 is as follows:

	2014	Rate %	2013	Rate %
Profit for the year	33,725		124,540	
Total income tax expense	7,714		36,372	
Profit before income tax	**41,439**		**160,912**	
Income tax using the domestic corporation tax rate 20%	(8,288)	(20.00)	(32,182)	(20.00)
Non-deductible expenses	(5,448)	(13.15)	(7,255)	(4.51)
Tax exempt income	6,022	14.53	3,065	1.19
Total income tax in the profit or loss	**(7,714)**	**(18.62)**	**(36,372)**	**(23.32)**

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Deferred tax

Recognised deferred tax assets and liabilities

The deferred tax included in the statement of financial position and recognised in profit or loss and in equity are as follows:

	31 December 2014			31 December 2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Available-for-sale investment securities	92	-	92	319	-	319
Retirement pay liability	865	-	865	354	-	354
Unused vacation liability	713	-	713	438	-	438
Tangible assets and intangible assets	-	(7,726)	(7,726)	(1,043)	(4,565)	(5,608)
Bonus provision	2,671	-	2,671	3,528	-	3,528
Unearned income commissions	81	-	81	224	-	224
Tax losses carried forward	7,853	-	7,853	-	-	-
Prepaid expenses	-	(1,432)	(1,432)	-	-	-
Other	-	(725)	(725)	1,298	-	1,298
Deferred tax	**12,275**	**(9,883)**	**2,392**	**5,118**	**(4,565)**	**553**

Recognised in the statement of financial position as follows:

	31 December 2014	31 December 2013
Deferred tax assets	12,275	5,118
Deferred tax liability	(9,883)	(4,565)
	2,392	**553**

Movements in temporary differences during the year

31 December 2014	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
Available-for-sale investment securities	319	854	(1,081)	92
Retirement pay liability	354	511	-	865
Unused vacation liability	438	275	-	713
Tangible assets and intangible assets	(1,043)	(3,247)	-	(4,290)
Bonus provision	3,528	(857)	-	2,671
Unearned income commissions	224	(143)	-	81
Acquisition of subsidiaries	(4,565)	1,129		(3,436)
Tax losses carried forward	-	7,853	-	7,853
Prepaid expenses	-	(1,432)	-	(1,432)
Other	1,298	(2,023)	-	(725)
	553	**2,920**	**(1,081)**	**2,392**

31 December 2013	Opening balance	Recognised in profit or loss	Recognised in equity	Acquisition of subsidiary	Closing balance
Available-for-sale investment securities	(640)	(160)	1,119	-	319
Retirement pay liability	70	317	(33)	-	354
Unused vacation liability	303	135	-	-	438
Tangible assets and intangible assets	(284)	(365)	-	(4,959)	(5,608)
Bonus provision	2,663	865	-	-	3,528
Unearned income commissions	1,267	(1,043)	-	-	224
Other	734	564	-	-	1,298
	4,113	**313**	**1,086**	**(4,959)**	**553**

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23. Provisions

	31 December 2014	31 December 2013
Bonus provision	17,000	17,639
Provision for possible losses (*)	5,000	32,000
Employee termination benefits	4,324	1,771
Vacation pay liability	3,570	2,465
Other	89	179
Total	**29,983**	**54,054**

(*) As at 31 December 2014, the accompanying consolidated statement of financial position includes a general provision amounting to TL 5,000 provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions (31 December 2013: TL 32,000).

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 3.43 and TL 3.25 on 31 December 2014 and 2013, respectively) per year of employment at the rate of pay applicable on the date of retirement or termination. In the consolidated financial statements as at 31 December 2014 and 2013, the Bank reflected a liability calculated using the hypothetical method and 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 on the reporting date.

The principal actuarial assumptions used on the reporting dates are as follows:

	31 December 2014	31 December 2013
Discount rate	8.60%	9.90%
Inflation rate	6.00%	6.40%

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

	31 December 2014	31 December 2013
Opening balance	1,771	351
Interest cost	277	86
Service cost	1,929	1,584
Payment during the year	(444)	(84)
Actuarial difference	791	(166)
Balance at the end of the year	**4,324**	**1,771**

24. Other liabilities

	31 December 2014	31 December 2013
Customer accounts (*)	403,155	456,383
Blocked amounts(**)	56,392	-
Expense accrual	14,120	4
Taxes and due payable	13,666	10,954
Suspense accounts	10,997	13,728
Payables to compulsory government funds	2,424	2,591
Unearned income	870	-
Cash collaterals received	328	13,919
Credit card accounts	15,583	-
Other	18,251	12,522
	535,786	**510,101**

(*) The Bank is not entitled to collect deposits. The customer accounts represent the current balances of loan customers. As at 31 December 2014 there are no time customer accounts (31 December 2013: 19,746 TL).

(**) The balance is resulted from wage payment accounts blocked till the date of wage payment (31 December 2013: None).

25. Capital and reserves

	31 December 2014	31 December 2013
Number of common shares, TL 1,000 (in full TL), par value (Authorised and issued)	697,085	697,085

As at 31 December 2014 and 2013, all issued shares are fully paid and there is no preference shares assigned to shareholders of the Bank.

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Share capital and share premium

As at 31 December 2014 and 2013, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	31 December 2014		31 December 2013	
	Amount	%	Amount	%
Çalık Holding A.Ş.	693,074	99.42	693,074	99.42
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	2,123	0.30	2,123	0.30
Ahmet Çalık	944	0.14	944	0.14
Başak Enerji Elektrik Üretim San. ve Tic. A.Ş.	472	0.07	472	0.07
Irmak Enerji Elektrik Üretim Madencilik San. ve Tic. A.Ş.	472	0.07	472	0.07
Total paid-in-capital	**697,085**	**100.00**	**697,085**	**100.00**
Restatement effect per IAS 29	4,510		4,510	
Total share capital	**701,595**		**701,595**	

In 2014, there is no increase in the paid in capital (31 December 2013: The paid in capital has been increased by TL 357,085 and TL 110,000 on 21 June 2013 and 15 November 2013 respectively. The capital increase amounting to TL 298,000 has been paid in cash by Çalık Holding A.Ş. and remaining increase has been provided by internal sources).

Reserves

Fair value reserve

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

Other reserves

Other reserves consist of legal reserves and other restricted 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. In the accompanying consolidated financial statements, the total of the legal reserves are amounting to TL 15,970 (31 December 2013: TL 11,279).

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the other restricted reserves in equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax. As at 31 December 2013, the Bank has transferred a gain from sale of investment amounting to TL 25,660 to the other restricted reserves in equity.

Foreign currency translation reserve

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

Transactions under common control

100% of E-Post was acquired from parents of the Company in the previous year. The acquired subsidiary, E-Post could be treated as an integrated operation of E-Kent by nature or by transfer of knowledge, were under common control with E-Kent since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. This application is based on the management judgement that this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Management decided not to restate its comparative information.

Excess of net assets over cash paid is recognised in "Transactions under common control" directly in equity.

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26. Net interest income

	2014	2013
Interest income		
Loans and advances to customers (*)	501,434	468,149
Investment securities	54,632	45,552
Cash and cash equivalents	3,923	1,010
Other	987	295
Total interest income	**560,976**	**515,006**
Interest expense		
Debt issued	220,210	165,056
Funds borrowed	60,470	33,529
Money market transactions	30,654	31,579
Other	11,020	13,330
Total interest expense	**322,354**	**243,494**
Net interest income	**238,622**	**271,512**

(*) Includes interest income from factoring receivables.

27. Net fee and commission income

	2014	2013
Fees and commission income		
Fund service fee income	27,430	16,071
Financial guarantee contracts issued	12,170	13,557
Remittance fee	10,288	7,020
Intermediary commissions	1,278	4,719
Commitment fee	826	7,613
Insurance fee (*)	81	40,325
Other	6,025	8,878
Total fees and commission income	**58,098**	**98,183**
Fees and commission expense		
Clearance commissions	15,966	17,668
Credit card commissions	2,650	-
Financial guarantee contracts issued	1,058	721
Other	4,561	1,404
Total fees and commission expense	**24,235**	**19,793**
Net fees and commission income	**33,863**	**78,390**

(*) As of 30 June 2014, the Group has transferred the insurance business portfolio that is managed by the Bank to Sigortayeri.

28. Net trading income

	2014	2013
Foreign exchange gain	10,874	6,077
Trading account income	9,405	711
Loss from derivative financial instruments	(30,933)	(15,420)
Total	**(10,654)**	**(8,632)**

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29. Sales income and cost of services

Sales income:

	2014	2013
Revenue from sale of goods	41,678	28,625
Insurance commission income (*)	10,639	-
Transaction and storage commission income	8,666	1,015
Revenue from license fee	2,141	792
Revenue from cash register POS	1,211	-
Revenue from sales of match ticket	535	-
Other sales income	3,868	4,678
Total	**68,738**	**35,110**

(*) As of 30 June 2014, the Group has transferred the insurance business portfolio that is managed by the Bank to Sigortayeri.

Cost of services:

	2014	2013
Personnel expenses	29,615	12,300
Depreciation and amortization expenses	20,563	1,369
Cost of merchandises sold	8,154	2,270
Dealer commission and other commission expenses	7,470	2,079
Rent expenses	2,821	785
Maintenance expenses	1,430	398
Consultancy expenses	1,328	370
Other expenses	9,454	3,325
Total	**80,835**	**22,896**

30. Other income

	2014	2013
Reversal of general provisions	27,000	-
Gain on sale of assets	14,642	21,619
Asset-backed security profit sharing	252	1,840
Other	4,211	2,286
Total	**46,105**	**25,745**

31. Net impairment on financial assets

	2014	2013
Individual impairment for loans	(11,459)	38,144
Collective impairment provision for loans	2,195	5,272
Individual impairment for trade receivables	7,690	-
Total	**(1,574)**	**43,416**

32. Personnel expenses

	2014	2013
Wages and salaries	94,940	54,139
Bonus expenses	12,788	22,526
Social security premiums	9,146	5,415
Employee termination indemnity and vacation pay liability	2,021	2,536
Other	6,993	4,379
Total	**125,888**	**88,995**

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33. Administrative expenses

	2014	2013
Publicity expenses	19,832	2,003
Consultancy expenses	15,878	14,117
Communication expenses	13,126	2,849
Outsource expenses	12,216	2,152
Expenses on vehicles	8,288	4,830
Rent expenses	7,628	5,629
Taxes and dues other than on income	7,556	9,298
Software maintenance expenses	5,083	2,749
Representation expenses	3,262	2,283
Travelling expenses	2,025	2,031
Maintenance expenses	1,547	617
Reuters expenses	1,522	512
Subscription expenses	527	364
Others	7,753	1,232
Total	**106,243**	**50,666**

34. Other operating expenses

	2014	2013
Provision for possible losses	-	7,000
Marketing expenses	4,610	135
Other	2,828	10,754
Total	**7,438**	**17,889**

35. Related parties

Parent and ultimate controlling party

The Bank is controlled by Çalık Holding A.Ş. which owns 99.42% of ordinary shares (31 December 2013: 99.42%).

Compensation of key management personnel of the Bank

Total salaries and other benefits paid to the Board of Members and top management during the year is TL 25,323 (31 December 2013: TL 13,635).

Balances with related parties

31 December 2014	Related party balances	Total balance	Rate (%)
Loans and advances to customers	2,007,911	3,983,292	50.41
Other liabilities (Customer accounts)	15,413	403,155	3.82
Debt securities issued	-	3,008,118	-

31 December 2013	Related party balances	Total balance	Rate (%)
Loans and advances to customers	1,842,279	3,577,869	51.49
Other liabilities (Customer accounts)	11,101	456,383	2.43
Debt securities issued	-	2,004,194	-

Off statement of financial position balances with related parties

31 December 2014	Related party balances	Total balance	Rate (%)
Non-cash loans	456,490	1,003,559	45.49

31 December 2013	Related party balances	Total balance	Rate (%)
Non-cash loans	574,456	993,470	57.82

Transactions with related parties

	2014	2013
Interest income on loans	317,951	252,270
Fee and commission income	11,496	8,348
Rent expenses	4,117	3,582
Accommodation expenses	2,995	2,812

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36. Commitments and contingencies

	31 December 2014	31 December 2013
Letters of guarantee	867,655	911,639
Letters of credit	53,728	47,154
Acceptance credits	263	583
Other guarantees	69,463	34,094
Total non-cash loans	**991,109**	**993,470**
Check limits	1,235	1,470
Other commitments	3,226,820	2,083,507
Total	**4,219,164**	**3,078,447**

On 27 August 2013, the Group and the Turkish Football Federation ("TFF") signed a General Agreement ("the Agreement") for 10 years. The Agreement pertains to the E-Ticket System ("E-Bilet") that is used for entry to sports activities. 53% of the income and expenses mentioned in the Agreement belongs to the Group. In accordance with the Agreement, the Group has committed to pay the lesser part to the TFF for ten years if the income transferred to the TFF is less than TL 150,000. As of the balance sheet date, progress payments and the structures in some stadiums have not yet been completed, so TL 17,385 paid to the TFF has been recognised as advances in the other assets (Note 17).

37. Subsequent events

As of 26 March 2015, E-Post Elektronik Perakende Otomasyon Satış Ticaret A.Ş. has increased its paid in capital by TL 5,000 and it has reached to TL 66,000. Additionally, Emlak Girişim Danışmanlığı A.Ş. has increased its paid in capital by TL 250 and it has reached to TL 350 as of 31 March 2015.

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